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ANNUAL REPORT

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NORTH CAROLINA DEPARTMENT OF STATE TREASURER

FISCAL YEAR
1979-1980

ANNUAL REPORT

July 1, 1979
through
June 30, 1980

NORTH CAROLINA DEPARTMENT OF STATE TREASURER

325 North Salisbury Street
Raleigh, North Carolina
27611



STATE OF NORTH CAROLINA
DEPARTMENT OF THE TREASURER
RALEIGH 27611

HARLAN E. BOYLES
STATE TREASURER

The Honorable James B. Hunt, Jr.
Governor of North Carolina,
The Advisory Budget Commission and
Members of the General Assembly

Gentlemen:

It is with pride, and with a considerable amount of pleasure, that I am able to discharge my legal duty, and present to you this Annual Report of the State Treasurer for the fiscal year 1979-80.

These are challenging times, and the operations of the North Carolina Department of State Treasurer during the past year have been influenced heavily by economic conditions in the nation at large. To meet new circumstances, we have devised new strategies, and I am happy to report that the changes instituted have met with substantial success. A look at the pages following will show in greater detail what we have been able to accomplish.

In the face of unsettled conditions regarding interest rates, we have held to a steady course. We have been able to maximize the returns earned on the State's investments, and we have been able to minimize the interest costs for both State and local bond issues. The State Retirement Systems are operated on a responsible basis, and our financial condition is sound. We have continued those practices which insure that State bond issues qualify for recognition as Triple "A" credits.

Moneys which continuously pass through our hands on their way to being used to pay the State's legitimate obligations are temporarily invested, even if only for a day. The efficient cash management program has thus enabled the Treasurer to earn \$113,000,000 in interest income for the State's General Fund and Highway Fund during the past fiscal year. This amount is equal to the operating budgets of several of our State agencies and institutions. The real significance of this figure is that it has enabled the State to fund programs that would otherwise require additional taxes, or would simply cease to exist.

During the past year, as in all previous years of my tenure as State Treasurer, North Carolina's financial health has been my over-riding concern. I have tried to do everything within my power to insure complete accountability in the handling of State funds, and I have spoken out concerning certain proposed changes in fiscal policy which I believed to be detrimental to our State. In the future, I expect to continue this policy, for I want what we all want — a State which is sound, secure and prosperous.

Sincerely,

Harlan E. Boyles
State Treasurer



HARLAN E. BOYLES
*State Treasurer
of North Carolina*

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THE STATE TREASURER

The Treasurer of the State of North Carolina has a variety of duties, functions and responsibilities, some of which are constitutional and others of which are set forth in State statutes. Inherent in both the constitution and the statutes is the responsibility of providing guidance of a fiscal nature to the various elements of State government and to provide fiscal and monetary controls to all funds under the jurisdiction of the State Treasurer. During the period covered by this report, several matters affecting the fiscal stability and the financial soundness of the State or agencies thereof came under the close scrutiny of the Department of State Treasurer. It is the intent of the Treasurer to present certain of these matters to the citizens of North Carolina which, as unresolved issues, may individually and collectively affect the well-being of the State in an adverse manner.

CLERKS OF COURT

Under the provisions of the North Carolina General Statutes, the State Treasurer is responsible for the deposit or investment of idle State funds. Since clerks of court are State officers, it is of concern that idle and unproductive funds are being held uninvested by these officials.

Procedures have been established to have State and local funds transmitted to their final destinations more rapidly. All too frequently, these procedures are ignored or are not being observed. Furthermore, trust funds held by the clerks should be placed in interest bearing accounts whenever possible so that interest can be earned for the owners.

While administrative procedures can accomplish much in this area, there is a strong possibility that legislative action may be necessary to resolve some relevant questions. Regardless of other facts, though, this is an area in which greater fiscal responsibility can be expected to increase the revenues accruing to the owners of these funds. It is hoped that clerks of court will voluntarily take appropriate action to foster and to promote the existing program.

FISCAL POLICIES OF THE RETIREMENT SYSTEMS

The fiscal soundness of the various retirement systems administered by the State is of paramount importance. The coverage and magnitude of the several retirement programs are no longer simple and easily understood. They are incredibly complex and have implications of tremendous proportions. Changes and improvements seemingly providing modest benefits to the individual recipient often turn out to have significant impacts and major costs associated with them when considered system-wide.

In comparison to other states, North Carolina's retirement programs rank near the top in funded status. This is because of sound and farsighted funding and administration over many years. However, there is evidence in the recent sessions of the General Assembly of attempts to break with past practices and traditions. Specifically, post-retirement increases were given to retirees without advance funding which increases the systems' unfunded liabilities or debt to be paid over future years. The unfunded liability of the Teachers' and State Employees' Retirement System alone now stands at \$1.2 billion. This figure is almost twice the State's current bonded indebtedness which was approved by the people. By far, the major portion of these liabilities has arisen as a result of granting benefit increases to be paid in future periods . . . by future General Assemblies.

The federal social security program is the model of what is to be avoided in our retirement plans. Fortunately, we are not currently in a comparable situation in North Carolina, but we must hold steadfastly to sound business principles and with the greatest resolve resist any and all attempts to weaken the retirement systems. Fiscal responsibility must continue to be the cornerstone upon which the soundness of the System is implanted.

COMMUNITY COLLEGES

The State Treasurer, who serves as an Ex Officio member of the State Board of Education, chaired a committee to review the current practices and statutes related to fiscal controls for the Community College System. The committee concluded that present statutes are extremely weak and do not provide an adequate framework for good fiscal control.

Some of the deficiencies in the current law are:

1. The institutions do not prepare and present to the Board of County Commissioners or the State Board of Education a comprehensive budget showing all anticipated revenues and expenditures for the year.
2. There is no requirement for central accountability for cash and investments and for revenues and expenditures from all sources.
3. There is no requirement for encumbrance accounting and "pre-audit" of expenditures to maintain the fiscal integrity of the budget and of the institution.
4. There is no authority for investment of idle funds and consequently no rules for making investments.
5. No security is required for bank deposits and there is no authority for banks to provide collateralization for the deposits.

6. There is no requirement for daily deposits of any funds other than State money.

The committee drafted legislation for a Community College Budget and Fiscal Control Act. The Bill was introduced and was passed in the Senate without a dissenting vote but died in the House Higher Education Committee due to committee failure to take it up for action. The needs for better fiscal accountability within the Community College System are yet to be met.

Chart 1

ORGANIZATION

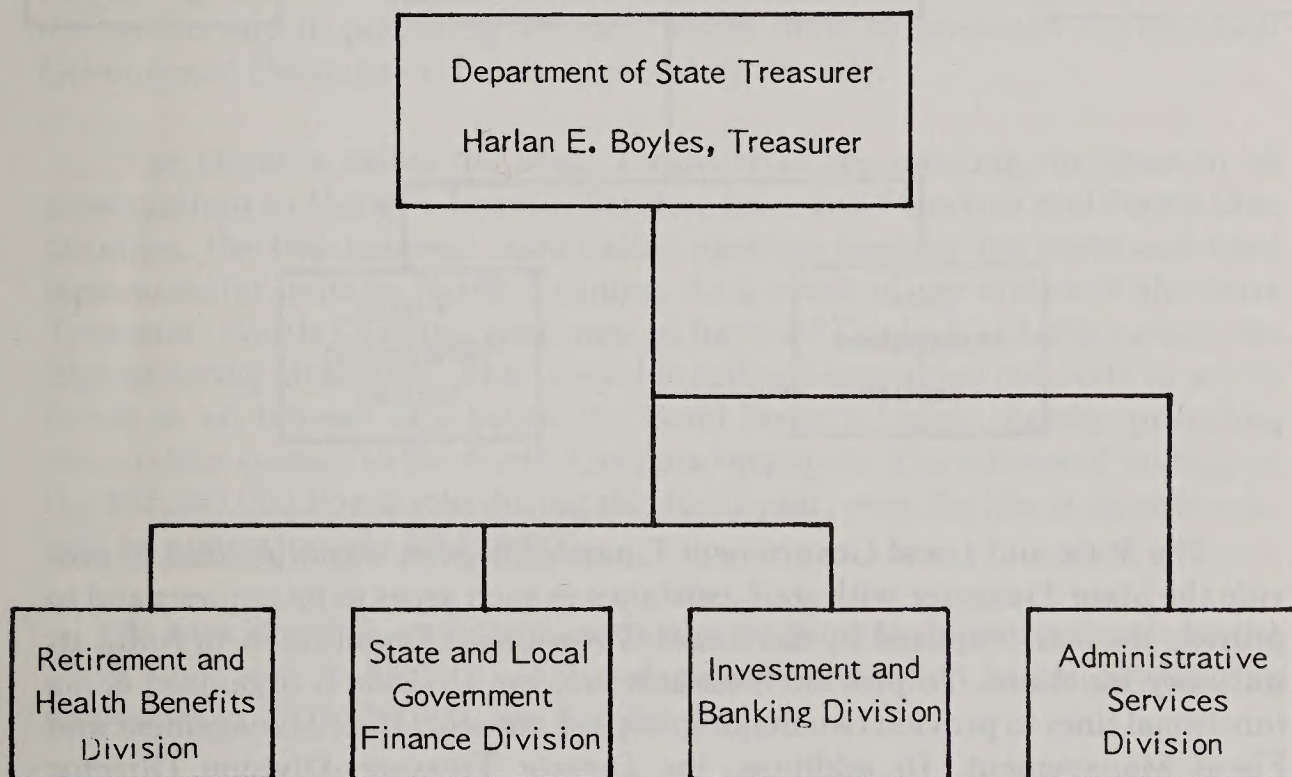


Chart 2

KEY PERSONNEL OF THE DEPARTMENT

Harlan E. Boyles
Thomas C. Wagstaff
Edwin T. Barnes

John D. Foust

Christopher S. Moore

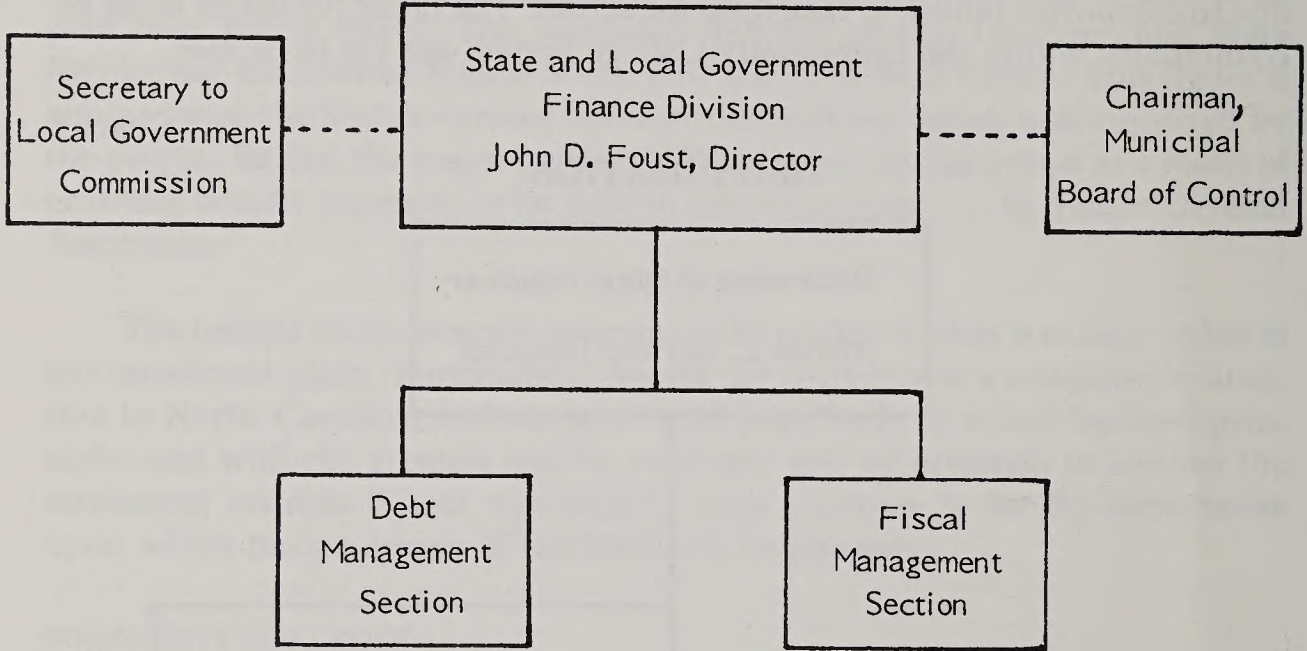
James C. Moore

State Treasurer
Assistant to the Treasurer
Deputy Treasurer and Director,
Retirement & Health Benefits
Division
Deputy Treasurer and Director,
State & Local Government
Finance Division
Deputy Treasurer and Director,
Investment and Banking Division
Deputy Treasurer and Director,
Administrative Services
Division

THE STATE AND LOCAL GOVERNMENT FINANCE DIVISION

Chart 3

ORGANIZATION



The State and Local Government Finance Division was organized to provide the State Treasurer with staff assistance in such areas as he requests and to provide the staff required by the Local Government Commission to fulfill its statutory functions. To provide these services, the Division is organized along functional lines to provide two major groups of services: Debt Management and Fiscal Management. In addition, the Deputy Treasurer-Division Director serves as the Secretary of the Local Government Commission.

Highlights of activity for the year were the sales of \$67,250,000 of bonds for the State, \$328,082,500 of bonds and notes for local governmental units and \$440,542,800 of special obligation bonds and notes. See Chart 5, Debt Management Activities. Among the other major accomplishments were the issuance of the Uniform Accounting System Procedure Manual for School Administrative Units and the near completion of a new consolidated reporting form to reduce the reporting problems of the local units.

ASSISTANCE TO STATE AGENCIES

Debt Management — The State Treasurer is responsible for the issuance and servicing of all State debt secured by a pledge of the taxing power of the State. After approval of the bond issue, the Division assists in determining the cash needs and most appropriate time for scheduling sales after consultation with other State agencies; the planning for repayment of the debt (maturity

schedules); preparing, with the advice and cooperation of bond counsel and the assistance of other State agencies, the Official Statement describing the bond issue and other required disclosures about the State; and in the actual sale and delivery of the bonds. The staff of the Division maintains the State bond records and Register of Bonds and initiates the debt service payments when they become due.

In addition, the Division is responsible for the issuance of revenue bonds for the North Carolina Medical Care Commission and the North Carolina Housing Finance Agency. These bonds are secured only by the specific revenues pledged in payment thereof. The staff works with the Agency personnel in scheduling the offering, in structuring the issue and underlying security documents and in preparing the data which must be presented to the Local Government Commission for its approval of the sale.

The Division assists the State Treasurer in representing the State in all presentations to Moody's Investor Service, Inc., and Standard and Poor's Corporation, the two national bond rating agencies used by the State and local governmental units in North Carolina. As a result of the efforts of the State Treasurer, North Carolina continues to have a "Triple-A" (AAA) rating, the highest rating attainable. This favorable rating has enabled the State to sell its bonds at an interest rate below the Bond Buyer's Index, thereby providing tremendous savings to the North Carolina taxpayers. The estimated savings on the \$67,250,000 Bonds sold during this fiscal year, over the life of those bonds, will be approximately \$8,125,000.

At June 30, 1980, authorized and unissued general obligation bonds for the State amounted to \$386,017,000 and general obligation bonds outstanding amounted to \$753,750,000. See Exhibit A.

Fiscal Management — More time was spent by the Division staff on work pertaining directly to the State than in any previous year. Also different from preceding years is the fact that most of the projects were long run in nature. Results may not be realized from some of these for as long as 3 to 5 years. Among these projects are:

- *State Government Accounting Project* — This project was begun in the prior year and is moving ahead of schedule. Since January, 1980, one of our senior professional staff members has served on the main Project Committee as an alternate for the State Treasurer. The first fruits of this project — the issue papers for external comment — began to be issued in June, 1980.
- *Review of North Carolina Accounting and Reporting Policies* — Another staff member serves on two committees set up by the State Auditor and State Budget Officer to examine the current accounting and reporting practices in the light of the State Government Accoun-

ting Project and other national projects to determine if there are changes which can be made to improve the accounting and reporting within our State government and to outsiders.

- *Other Assistance to State Agencies* — Our effort to assist State agencies to improve their reporting requirements on local governments was increased. The effort during this year was directed toward a more consistent account structure and reporting system for human services as a component of a revision of the Uniform Accounting System chart of accounts.

All of the above projects will actively continue into the following year.

ASSISTANCE TO LOCAL GOVERNMENTS

Assistance is rendered to local governments and public authorities in North Carolina on behalf of both the Local Government Commission and the Municipal Board of Control.

The North Carolina Local Government Commission, a part of the Department of State Treasurer, approves the issuance of the indebtedness of all units of local government and assists these units in the area of fiscal management. The Commission is composed of nine members: the State Treasurer, the Secretary of State, the State Auditor, the Secretary of Revenue, and five others by appointment (three by the Governor, one by the Lieutenant Governor, and one by the Speaker of the House of Representatives). The State Treasurer serves as Chairman and selects the Secretary of the Commission, who heads the administrative staff serving the Commission.

The Municipal Board of Control is a statutory agency composed of the Secretary of the Commission, who serves as Chairman. Also on the Board are the Chairmen of the Senate and House Committees on Local Government (both serving as ex officio members), and two elected officials appointed by the Governor, one from a county and the other from a municipality. The Board has the power under Article 1A of Chapter 160A of the General Statutes to issue corporate charters to new municipalities which apply and qualify under the statute. During the current year, this Board issued a charter for the Village of Pinehurst effective July 1, 1980, but refused a charter for the Village of West Onslow Beach because it was not deemed to be in the public interest.

Debt Management — A major function is the approval, sale and delivery of all North Carolina local government bonds and notes upon the recommendation of the staff of the Division. Before any unit can incur debt, the proposed issue must be approved by the Commission. The statutes require that, before giving its approval, the Commission must make affirmative determination in the areas of necessity and expediency, size of the issue, the unit's debt management policy, taxes needed to service the debt and the ability of the unit to repay.

The Division staff works with the local governmental units before the application for approval is submitted. The staff counsels and assists the units on the structure of the financing, the fiscal policies of the unit and the most appropriate timing for sales. The structure is concerned with the necessity of the project, the reasonableness of the size of the project and the most expedient forms of financing the project. Fiscal policies considered are debt management policies, the effect of the financing on the unit tax rate and its record of compliance with the Local Government Budget and Fiscal Control Act. Timing includes when the money will actually be needed, anticipated interest rates and when the bonds can be sold with a minimum of competition. The staff strives to resolve all problems before applications are presented to the Commission. When the Commission receives the application for its formal action, the Staff has, to the extent possible, corrected or otherwise resolved any problems so that the application, as presented, will demonstrate that the statutory requirements have been met.

General obligation bond issues are generally sold by competitive bids submitted to the State Treasurer's office in Raleigh. In the process of selling the bonds, the staff assists the governmental unit and its bond counsel to prepare the necessary data for the official statement. After the official statement has been prepared and printed, it is then mailed to a large group of buyers nationwide. The bonds are normally serial bonds and are awarded on the basis of total net interest cost to the governmental unit. After the sale, the staff delivers and validates the definitive bonds and makes certain that the monies are promptly transferred from the buying brokers to the governmental unit.

Fiscal Management — A second key function is monitoring certain fiscal and accounting standards prescribed for the units by The Local Government Budget and Fiscal Control Act. In addition, the Division furnishes upon request on-site assistance to local governments concerning existing financial and accounting systems as well as aid in establishing new systems.

As a part of its role in assisting and monitoring the fiscal programs of local units, the Division attempts to ensure that the local units follow generally accepted accounting principles, systems and practices. The Division's staff counsels the units in treasury and cash management, budget preparation, and investment policies and procedures. Educational programs, in the form of seminars or classes, are also provided by the staff in order to accomplish these tasks. The monitoring of the units' financial systems is accomplished through the examination and analysis of the annual audited financial statements and required reports. The Local Government Budget and Fiscal Control Act requires each unit of local government to have its accounts audited annually by a certified public accountant or by an accountant certified by the Commission as qualified to audit local government accounts. A written contract must be submitted to the Secretary of the Commission for his approval prior to the commencement of the audit. As of this date, no audit contract to be performed by an accountant other than an independent certified public accountant has been approved.

In addition to its sales of bonds, the staff assists the units to sell certain short-term debt obligations. These may be bond anticipation notes to provide interim funding of projects until the definitive bonds are sold, based on the original Commission approval of the bond issue, or other notes secured by specific pledges of taxes, grants or other revenues to be collected in the future. Authorization is based upon specific Commission approval for each such issue.

At June 30, 1980, authorized and unissued general obligation bonds for local governments amounted to \$495,693,000, and general obligation bonds outstanding amounted to \$1,518,784,176. See Exhibit A.

Debt records are maintained for all units of all principal and interest payments coming due in the current and future years. Through a system of monthly reports, the payment by the units of their debt service is monitored. During 1979-80, bonds and notes were sold in the amount of \$328,082,500. This is more fully described in Chart 4.

Chart 4

**PURPOSES FOR WHICH LOCAL GOVERNMENTS
SOLD BONDS AND NOTES
Fiscal Year 1979-80**

	<u>Schools</u>	<u>Utilities</u>	<u>Other</u>	<u>No.</u>	<u>Total Amount</u>
<u>G. O. Bonds</u>					
Counties	\$25,575,000	\$ 6,292,500	\$ 9,415,000	13	\$ 41,282,500
Cities and towns	—	49,447,000	30,865,000	39	80,312,000
Total G. O. Bonds	25,575,000	55,739,500	40,280,000	52	121,594,500
<u>Revenue Bonds</u>					
Counties	—	3,565,000	3,600,000	2	7,165,000
Special districts and authorities	—	—	65,000,000	1	65,000,000
Total Revenue Bonds	—	3,565,000	68,600,000	3	72,165,000
<u>Notes</u>					
Bond anticipation				81	120,523,000
Revenue antici- pation				8	13,500,000
Tax anticipation				1	300,000
Total Notes				90	134,323,000
Total Bonds and Notes				145	\$328,082,500

The Division staff is also responsible for overseeing the sale of revenue bonds which must have Commission approval to be issued by agencies such as municipalities, joint municipal electric power agencies, county industrial facilities and pollution control financing authorities. These bonds are secured only by specific revenues pledged in payment thereof. See Chart 5.

Chart 5

DEBT MANAGEMENT ACTIVITIES
(In Millions of Dollars)

	FY 1977 - 78		FY 1978 - 79		FY 1979 - 80	
	No.	Amt.	No.	Amt.	No.	Amt.
Bonds Sold for State						
General Fund		\$	1	\$ 50.0	1	\$ 67.2
Highway Fund	<u>1</u>	<u>60.0</u>	<u>1</u>	<u>60.0</u>	<u>—</u>	<u>—</u>
Total	<u>1</u>	<u>60.0</u>	<u>2</u>	<u>110.0</u>	<u>1</u>	<u>67.2</u>
Bonds and Notes Sold for Local						
Governmental Units:						
G. O. Bonds	54	130.5	51	84.5	52	121.6
Revenue Bonds	2	4.3			3	72.2
Notes	<u>47</u>	<u>46.3</u>	<u>71</u>	<u>46.6</u>	<u>90</u>	<u>134.3</u>
Total	<u>103</u>	<u>181.1</u>	<u>122</u>	<u>131.1</u>	<u>145</u>	<u>328.1</u>
Special Obligation Bonds and Notes						
Sold for Medical Care Commission:						
Revenue Bonds	4	137.0	5	60.6	1	10.7
Revenue Anticipation						
Notes					1	6.7
Sold for Housing Finance Agency:						
Bonds			1	37.3	1	58.0
Sold for Power Agencies:						
Revenue Bonds			2	550.0	1	100.0
Revenue Anticipation						
Notes					1	18.8
Sold for Industrial Facility and						
Pollution Control Authorities:						
Revenue Bonds	<u>20</u>	<u>54.0</u>	<u>37</u>	<u>91.4</u>	<u>66</u>	<u>246.3</u>
Total Special Obligation						
Bonds and						
Notes	<u>24</u>	<u>191.0</u>	<u>45</u>	<u>739.3</u>	<u>71</u>	<u>440.5</u>
Grand Total	<u>128</u>	<u>\$432.1</u>	<u>169</u>	<u>\$980.4</u>	<u>217</u>	<u>\$835.8</u>

Among the projects completed during the year are:

- *School Uniform Accounting Manual* — This project was begun in 1976. The nine key procedures sections were completed and presented. Each school administrative unit received a free copy and many additional copies have been sold.
- *County Expenditure Report* — Within the limitations imposed by the many differences in organization and definition of function among the counties in the State, this report showed, for the first time, the amounts of money spent by each county in the major functional areas. It showed both the diversity among counties and the importance of size, general location and urban/rural characteristics in the expenditure of money. The work led directly into the continuing project for the new Annual Financial Information Reports.
- *Cost Allocation System* — In order to help the counties meet the requirements for indirect cost reimbursement by the Department of Human Resources, a simplified indirect cost allocation plan was developed by the staff based upon Federal Management Circular 74-4. It was approved by the U. S. Department of Health, Education and Welfare and U. S. Department of Labor and available for implementation by January, 1980. Plans were prepared for 35 counties at a savings of approximately \$245,000, based upon an average preparation cost of \$7,000 per county.

Considerable work was done on a number of projects to be completed later. The more significant are:

- *Pooling of Collateral to Secure Deposits* — In conjunction with the Investment and Banking Division, work progressed on new rules for collateralizing public deposits to expand the list of eligible securities and to provide a simpler alternative to the banks — using banks as pooling collateral through the State Treasurer for all public deposits required to be collateralized. The new rules went into effect on August 1, 1980.
- *Consolidated Report on Financial Information* — In cooperation with the U. S. Bureau of Census, the Office of State Budget and Management and the Department of Revenue, the Annual County Financial Information and the Annual Municipal Financial Information reports were designed to consolidate six existing forms into these two forms. The first forms were mailed in August, 1980.
- *New Chart of Accounts* — The new chart of accounts is being designed so that it will be easier for the units to prepare their annual financial statements, the new Annual Financial Information Report and various other reports being required from counties for State funded human service programs.

- *Revision of the Uniform Accounting System* — Working with a consultant, seven procedural sections of the Uniform Accounting System for Local Governmental Units were substantially revised to reflect the recent changes in North Carolina laws and in accounting and reporting arising from recent publications by the National Council on Government Accounting.

The last three projects are closely related to each other and to another continuing project for 1980-81 — preparation of pro forma financial statements for counties and municipalities which were begun in 1979-80 for use by auditors and governmental units.

Continued assistance was provided to the independent auditors, particularly in the area of professional education. The staff helped to prepare or to update four continuing professional education courses in governmental and school accounting. Each was presented several times to independent auditors through the auspices of their State association. These courses had a total of over 400 participants.

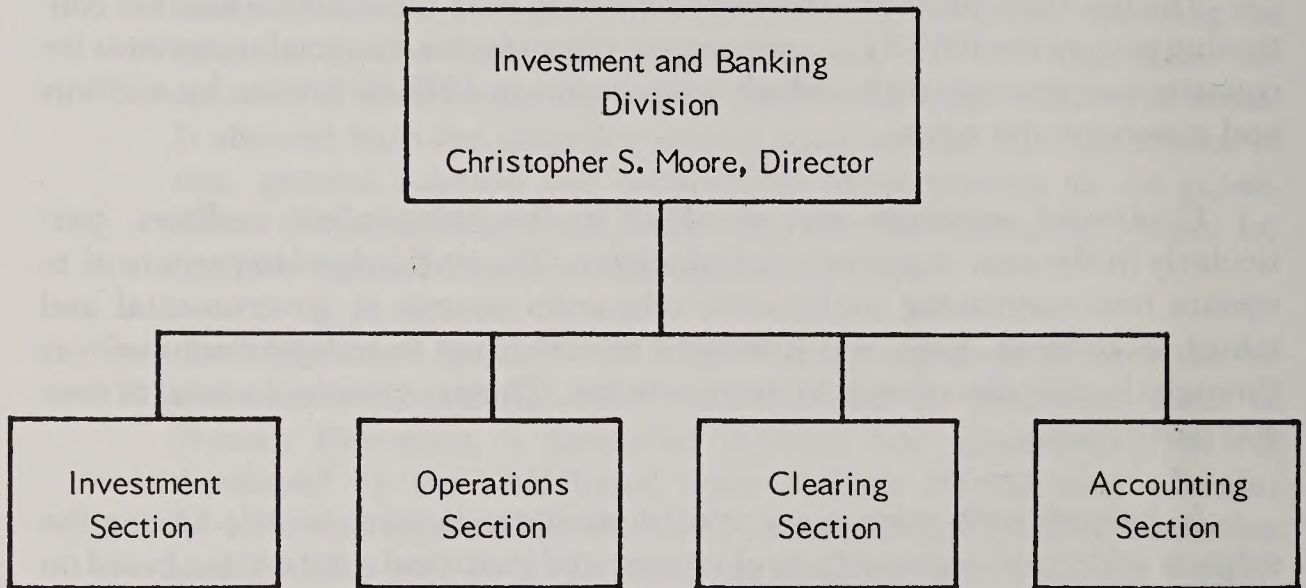
In keeping with prior years, special memoranda were issued. Among the subjects addressed were conflicts of interest and statistical information based on semiannual reports required by the General Statutes.

The State and Local Government Finance Division is continually working in all areas concerning improved fiscal management and clarity of reporting in order to better serve the State Treasurer, the local units of governments, public authorities, school administrative units and their independent auditors.

THE INVESTMENT AND BANKING DIVISION

Chart 6

ORGANIZATION



PURPOSE AND OBJECTIVES

The Investment and Banking Division is organized to carry out three of the State Treasurer's primary functions. The first of these is acting as the State's banker in receiving and disbursing all State monies. The second is administering the State's Cash Management Program and serving as the custodian of and investment officer for various State Trust Funds. The third is arranging for the prompt payment of the principal and interest on the State's general obligation debt as it matures. These functions are both constitutional and statutory in origin.

HIGHLIGHTS OF THE YEAR

The Fiscal Year 1979-1980 was one of great progress for the Division. In July, 1979, the "pooling" concept was inaugurated for all investment accounts managed by the State Treasurer. As a part of this change, the accounting for investments was converted from a cash to an accrual basis. Also, a Securities Lending program was inaugurated, made possible by the pooling of investments.

By September, 1979, the rate of return on the largest pool of investments, the Long-term Fixed Income Fund, exceeded 8% for the first time. In October, an automated system for processing daily Certifications of Deposit was developed by the Accounting Section in conjunction with the Department's Data Processing Section, aiding our Cash Management program at the State level.

During the fall months, a series of competitive sales were held to dispose of low-yielding, deep-discount corporate bonds, by exchanging them for U. S. Treasury obligations with long non-call features. Yield to maturity has been increased dramatically, and at fiscal year-end, 96 % of all Trust Fund assets had a yield in excess of 6 % , the actuarially assumed rate of return for the Retirement Systems.

In January, 1980, the Operations Section established a new procedure for replenishing Raleigh clearing bank balances by wire transfer, replacing the use of checks. Also, we began working with a major depository bank on a system of automatic cash concentration, whereby deposits to the Treasurer's account state-wide in any branch of the bank would become available funds in the Raleigh account the next day.

In March, 1980, our Covered Call Stock Option Writing program was inaugurated. This program for generating supplemental income joins the Securities Lending, Broker's Fail Balance and G.N.M.A. Forward Commitment programs. By fiscal year-end, they had produced extra income of over three and a half million dollars.

At the end of the first quarter of 1980, the consolidated rate of return on total Retirement System assets crossed the 8 % level for the first time, reaching 8.05 % . At fiscal year-end, the rate was 8.14 % .

The Bank Clearing Section processed a record number of items, the total being augmented by the W.I.C. Food Instrument program, and by increasing unemployment payments in the State. We participated in a state-wide program for improved quality control in bank clearing activities.

All Sections completed their portions of a new Divisional Procedures Manual, which will be of great assistance in the future. The Accounting and Operations Sections, in particular, worked with other Divisions of the Department in the Treasurer's efforts to improve cash management in State government through improved cash flow.

THE BASIC FUNCTIONS

State Banker

Receiving State Monies — The General Assembly of North Carolina has provided the State with a centralized system for receiving and disbursing State monies. Under this system, all revenues collected by an agency, department or institution on behalf of the State must be deposited daily to the account of the State Treasurer, in a bank designated by him for that purpose. A companion provision requires that the Treasurer be promptly notified of such deposits.

This procedure assures that the State itself will be the primary beneficiary of the flow of funds through its bank accounts in the course of conducting State business.

Disbursing State Monies — Since North Carolina does not maintain checking accounts through which to pay its obligations, the Treasurer acts as banker for the various agencies, departments and institutions of the State as they disburse authorized monies. Accounts are maintained for each, much as a commercial bank maintains accounts for its customers, with the balance established pursuant to legislative action. When funds must be disbursed to meet a valid obligation, a warrant is drawn on the State Treasurer in payment. These warrants are processed through the commercial banking system by the recipients, ultimately being presented to the Bank Clearing Section of the Division for payment. The legality of each warrant is determined before it is charged against the account of the issuing agency, department or institution. The presenting bank is reimbursed through the Treasurer's central clearing accounts, which are maintained in various Raleigh banks for this express purpose. Over thirteen million warrants, with a face value of eleven billion three hundred million dollars, were processed by the Bank Clearing Section during the fiscal year ended June 30, 1980.

Investment Management

The Cash Management Program — In order to mobilize statewide receipts, the Accounting Section of the Division daily drafts into the central clearing accounts in Raleigh monies deposited throughout the State in the designated collection accounts. By this process of concentration, funds which have little impact when scattered around the State become an important potential source of non-tax revenue.

The Investment Management Section of the Division computes daily the "excess" cash which is available for investment. This figure is based on the ending balances of the previous day, plus or minus the net difference between the certified deposits and the disbursing warrants for the current day. The excess cash in the State Treasurer's central clearing accounts is then invested in highly liquid, short-term securities, as permitted by law. Because the Treasurer's cash balances are ultimately subject to disbursement upon presentation of valid warrants, the primary considerations in making investments are safety and liquidity; the secondary consideration is income. Nevertheless, revenues from the Cash Management Program reached an all-time high of nearly one hundred thirty-nine million dollars in the fiscal year ended June 30, 1980 — the State's largest source of non-tax revenue.

Certificates of Deposit and Savings Certificates — Despite the constant income and outgo of funds, there is a determinable amount or "core" of deposits which does not fluctuate materially in the Treasurer's cash balances. Thus, a reasonable portion can be placed in Certificates of Deposit and Saving

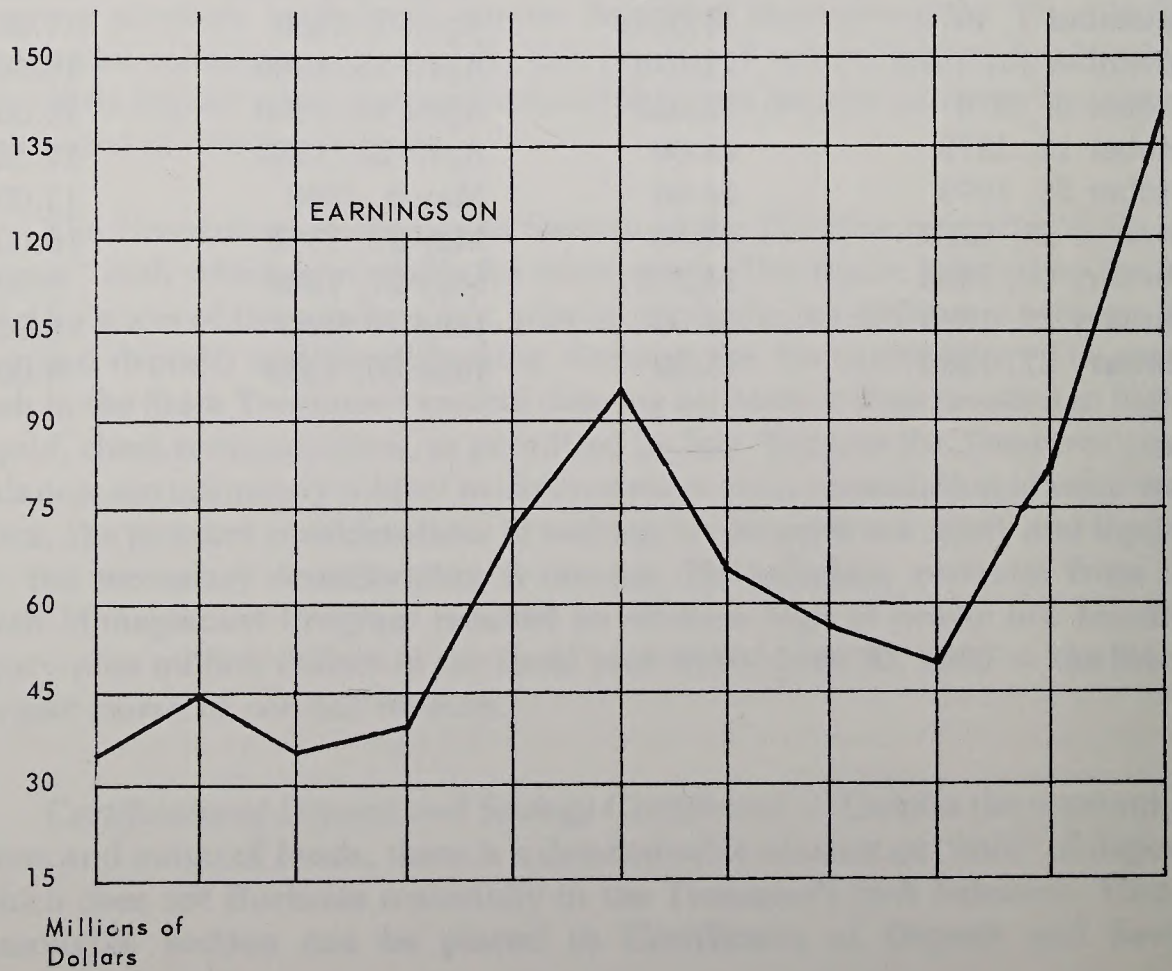
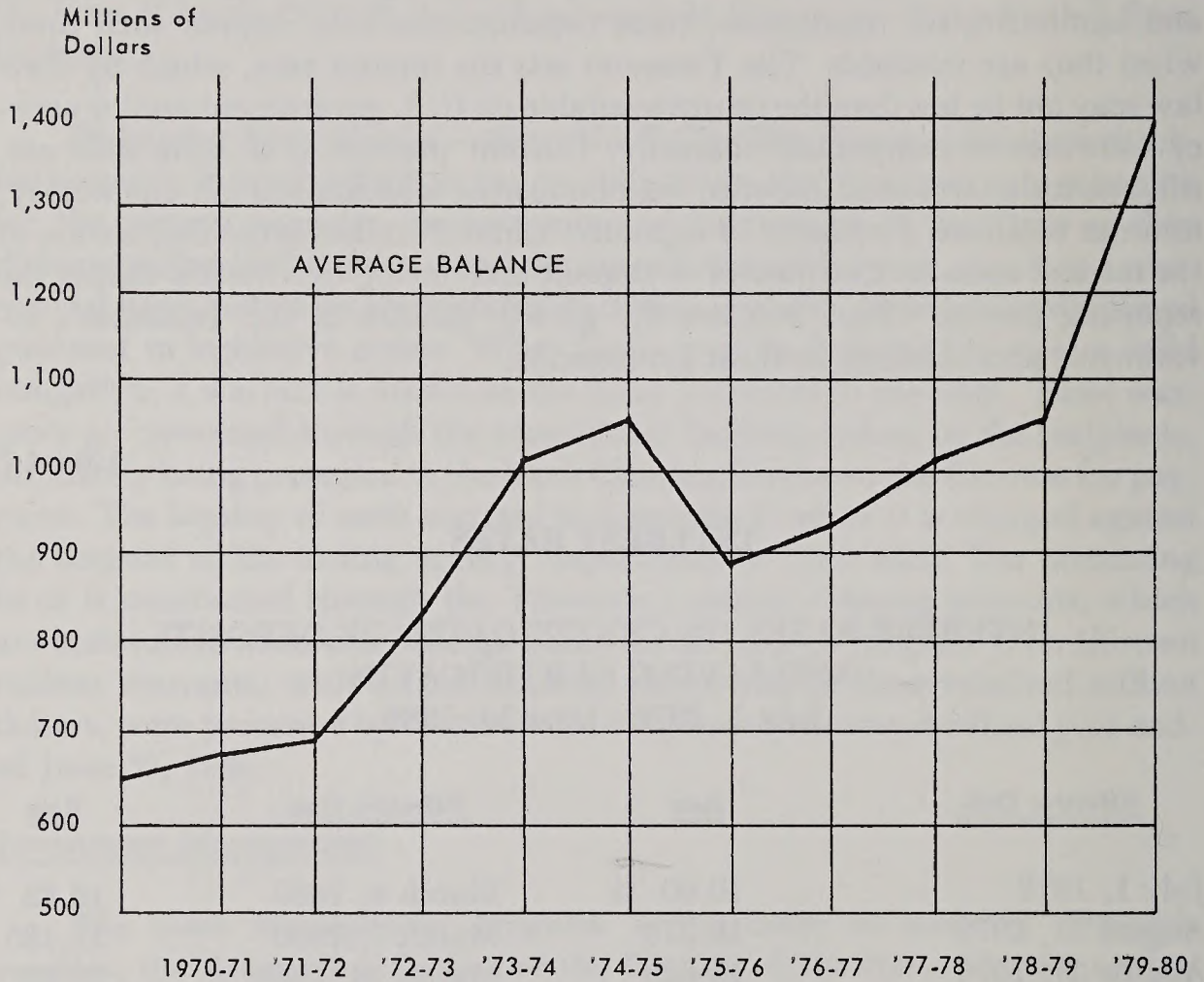
Certificates issued by North Carolina banks and savings and loan associations, although these instruments are not strictly "highly liquid". Subject to statutory and administrative regulations, these organizations may request such funds when they are available. The Treasurer sets the interest rate, which by State law may not be less than the return available on U. S. government and/or agency securities of comparable maturity. Current practice is to issue such certificates for a term of six months, with maturities scheduled to fall due weekly, in order to afford a measure of liquidity. Chart 7 indicates the fluctuation of the interest rates on Certificates of Deposit and Saving Certificates during the reporting period. Chart 8 shows the growth pattern of the Treasurer's investments and earnings on those investments.

Chart 7

INTEREST RATES

INTEREST RATES ON CERTIFICATES OF DEPOSITS AND SAVING CERTIFICATES July 1, 1979 - June 30, 1980

<u>Effective Date</u>	<u>Rate</u>	<u>Effective Date</u>	<u>Rate</u>
July 1, 1979	10.00 %	March 4, 1980	16.25 %
August 17, 1979	10.375	March 7, 1980	17.125
August 31, 1979	10.625	March 18, 1980	17.25
September 7, 1979	11.375	April 1, 1980	17.00
September 14, 1979	11.675	April 15, 1980	16.50
October 9, 1979	12.625	April 22, 1980	15.50
October 12, 1979	13.00	April 29, 1980	14.50
October 22, 1979	14.00	May 6, 1980	13.00
November 26, 1979	13.50	May 13, 1980	10.00
February 19, 1980	14.375	May 27, 1980	8.50
February 22, 1980	15.00	June 10 1980	8.00
February 27, 1980	15.50	June 30, 1980	8.00 %

SHORT-TERM FIXED INCOME INVESTMENT FUND

The Trust Fund Investment Program — The State trust funds are composed principally of seven Retirement Systems, the largest three being the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System and the Law Enforcement Officers' Benefit and Retirement Fund. To these funds belong 98% of all the trust assets under management. In addition to the Retirement Systems, eleven other Trust Funds are managed, including the Employee Disability Fund, the Treasurer's Escheat Fund, the State Property Fire Insurance Fund, various Educational Trust Funds and the Insured Student Loan Program. Beginning in 1979, the Legislature directed that certain University System funds be deposited with the Treasurer and credited with investment earnings. Amendments to the basic investment law also permitted "any official, board, commission or other public authority of the State" to deposit specified funds with the Treasurer for investment.

Chart 9

CONSOLIDATED STATEMENT OF TRUST FUND INVESTMENTS

<u>Year Ended</u>	<u>Invested Balance</u>	<u>Yield</u>
June 30, 1970	1,041,135,000	5.42
June 30, 1975	2,145,880,000	6.62
June 30, 1976	2,575,000,000	6.82
June 30, 1977	2,947,000,000	6.89
June 30, 1978	3,378,000,000	7.11
June 30, 1979	3,821,000,000	7.63
June 30, 1980	4,436,000,000	8.17

Investment Objective — The investment objective for all trust funds, which are generally long-term in nature, is to achieve the highest yield consistent with safety of principal. Prudence in discharging this fiduciary obligation requires that all investments be reviewed constantly, so that opportunities in the secondary markets to improve the quality and/or the yield are not overlooked.

Inviolability of Funds — The Retirement Systems' investment integrity is held inviolate by Article V, Section 6 of the North Carolina Constitution, which provides that Retirement System funds shall not be used "for any purpose other than retirement system benefits and purposes, administrative expenses and refunds". It further states that such funds "shall not be applied, diverted, loaned to, or used by the State, any State agency, State officer, public officer, or public employee".

The Investment Pooling Program — The investment objectives of both the Cash Management and the Trust Fund Programs are achieved through participation in one or more investment funds or “pools” established by the Treasurer, as authorized by State law. These are:

The Short-term Fixed Income Investment Fund
The Long-term Fixed Income Investment Fund
The Equity Investment Fund

The Cash Management Program, because of its primary need for safety and liquidity, is totally invested in the Short-term Fund. Also participating are the cash balances of the two other Investment Funds, Long-term and Equity. Thus, all cash deposited with the Treasurer in any fund under management is always fully invested.

The Trust Fund Investment Program participates in all three pools, in accordance with the needs of the individual funds. Every trust account, large or small, thus has access to all of the investment opportunities available, and shares the cost of the investment management function equitably, in the ratio of its participation.

The cash rates of return on the three Investment Funds at June 30, 1980, were:

Chart 10

CASH RATE OF RETURN ON INVESTMENT FUNDS

Short-term	12.34%
Long-term	8.31
Equity	6.65*

*Cash return, including net realized capital gains, was 8.84%.

Nature of Investments — The Short-term Fund is composed of U. S. Treasury and Agency securities with a maximum maturity of seven years, repurchase agreements based on such securities and North Carolina Certificates of Deposit and Savings Certificates. The Long-term Fund is composed of U. S. Treasury and Agency securities, and corporate bonds and debentures of at least “A” quality. The Equity Fund is composed of a diversified list of investment-grade common stocks.

For the Retirement Systems, which participate in all three Funds, the following measurements of their consolidated portfolio are pertinent:

RETIREMENT PORTFOLIO MEASUREMENTS

	<u>June 30, 1979</u>	<u>June 30, 1980</u>
"AA" or Better Quality	88.9%	91.2%
Average Maturity	21.0 years	17.3 years
Investment Yield	7.63%	8.14%

Treasurer's Policy — In all transactions executed for the three Investment Funds, the Investment Management Section pursues the objective of doing business in North Carolina, whenever it can be done at no disadvantage to the portfolio involved.

Debt Management

The Investment Management Section is responsible for having "readily available funds" in the hands of the paying-agent banks on a timely basis to meet the maturing principal and interest of the State's general obligation debt. This function is vital to the maintenance of our "AAA" rating. Although such funds belong to the bondholders on due date, they are kept invested by means of the Short-term Fund up to the actual day of payment, under the existing Debt Service Agreement.

OTHER SERVICES

In other areas of responsibility, the Treasurer, through the Operations Section of the Investment and Banking Division, provides custodial services for securities held by certain other Departments of State Government, including those of Agriculture, Commerce (Industrial Commission), Human Resources, Insurance, Public Education, Revenue and Transportation (Motor Vehicle Division). These custodial services are similar to those provided for the securities of the three Investment Funds. The Operations Section is primarily responsible for the completion of all investment transactions, including the receipt and delivery of securities, the collection of interest and dividends and monitoring the Department's relationships with the custodial banks. Operations also monitors compliance by the North Carolina commercial banking system with the collateralization requirements for State funds on deposit.

The Accounting Section of the Division, in addition to performing the accounting function for the Treasurer as it relates to his investment responsibilities, maintains budgetary accounting ledgers for all agencies, departments and institutions of the State government. This critical function is central to the State's system of financial checks and balances, and therefore to its credit standing and reputation for fiscal integrity.

Exhibits Q, R, S, T, U, V, W and X and supporting statements are integral parts of this report concerning the Investment and Banking Division.

RETIREMENT AND HEALTH BENEFITS DIVISION

INTRODUCTION

The Retirement and Health Benefits Division provides North Carolina's public employees with retirement allowances as deferred payments of salary, and other fringe benefits as part of a total package of compensation. This package is designed to aid in the recruitment and retention of competent employees in the public service. It also adds to the efficiency of public employees by giving them a measure of freedom from the apprehension of old age and disability.

The systems which are administered by the Division are as follows:

- Teachers' and State Employees' Retirement System
- Local Governmental Employees' Retirement System
- Uniform Judicial Retirement System
- Uniform Solicitorial Retirement System
- Uniform Clerks of Superior Court Retirement System
- Law Enforcement Officers' Benefit and Retirement Fund
- National Guard Pension Plan
- Legislative Retirement Fund

With the exception of the Law Enforcement Officers' Benefit and Retirement Fund and the National Guard Pension Fund, the systems are governed by the same Board of Trustees. This Board of Trustees consists of: the State Treasurer (ex officio), who serves as chairman; the Superintendent of Public Instruction (ex officio); one member of the House of Representatives appointed by the Speaker of the House; one member of the Senate appointed by the President of the Senate; and ten members appointed by the Governor. The Local Governmental Employees' Retirement System Board has two additional members representing a city or town and a county, both appointed by the Governor.

The Law Enforcement Officers' Benefit and Retirement Fund is governed by a Board of Commissioners. This Board is composed of the State Treasurer (ex officio), who serves as chairman; the State Auditor (ex officio); the State Insurance Commissioner (ex officio); and four additional members appointed by the Governor.

Aside from the retirement plans administered by this Division, it is also charged with the responsibility of administering the North Carolina Public Employees' Social Security Agency, the Disability Salary Continuation Plan, the Hospital Medical Program for Teachers and State Employees, and the Teachers' and State Employees' Benefit Trust (Life Insurance).

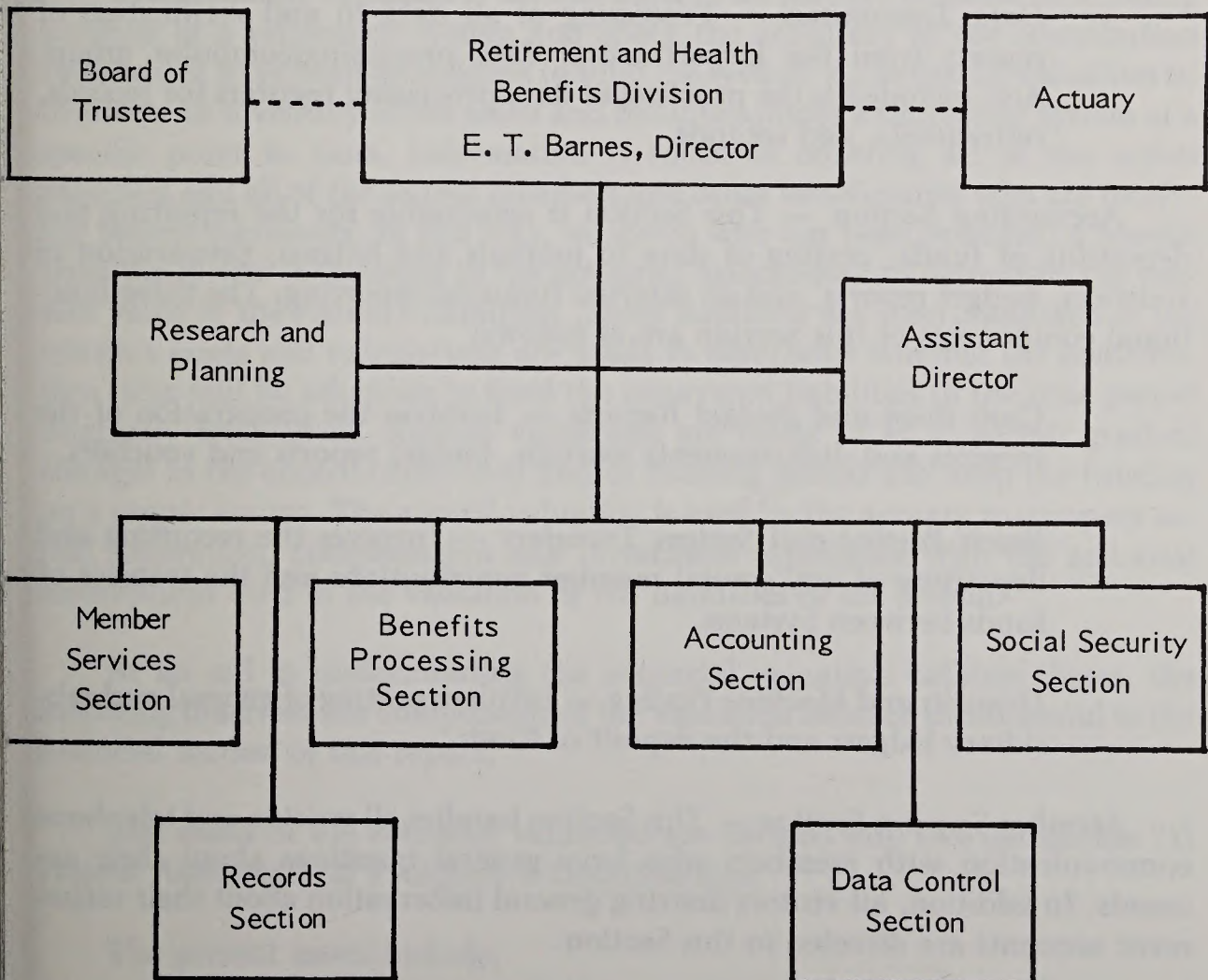
It is the fiduciary responsibility of the Division to administer the several retirement systems and benefit programs with policies that answer to two constituencies. The first constituency being the people of North Carolina who demand honest, efficient, and useful expenditure of their tax dollars. The second being our more than 400,000 active and retired public employees and their dependents who demand and deserve the same honest and efficient use of their contributions and a just reward for their service to the people of North Carolina.

OPERATIONS OF THE SYSTEMS

The organizational structure below shows that the Director of the Division has direct control over the various operating sections.

Chart 12

ORGANIZATION



The duties and functions of these Sections are as follows:

Benefits Processing Section — This Section is charged with the primary responsibility of calculating and paying retirement benefits and refunds for members. In addition, the staff in this Section calculates the cost to purchase service credits (i.e., military service, out-of-state service, and repayment of withdrawn accounts). They also handle the operations of the Disability Salary Continuation Plan and the calculation and payment of death claims and death benefits.

Data Control Section — This Section has three functional components as follows:

Payroll Audit — Processing incoming payroll reports for all retirement systems.

Error Checking — Corrections of computer based errors.

Data Transmittal — Processing of all data to and verification of reports from the Departmental data processing/computer group. Also included is the proofing of data processing registers for records, retirements, and refunds.

Accounting Section — This Section is responsible for the reporting and depositing of funds, posting of data to journals and ledgers, preparation of vouchers, budget reports, and all external financial reporting. The three functional components of this Section are as follows:

Cash Book and Budget Reports — Involves the preparation of the receipts and disbursements journals, budget reports and vouchers.

Batch Posting and System Transfers — Involves the recording and depositing of any special member contributions and the transfer of funds between Systems.

Deposits and Machine Posting — Involves posting of general and subsidiary ledgers and the deposit of funds.

Member Services Section — This Section handles all written and telephone communication with members who have general questions about their accounts. In addition, all visitors desiring general information about their retirement accounts are directed to this Section.

Records Section — Maintains custody of all member and unit files.

Social Security Section — This Section handles the reporting of wages

subject to Social Security. Social Security contributions are remitted to this Section from covered employing units across the State. The contributions are transmitted to the Social Security Administration.

The administrative expenses of the retirement systems in the Division are paid by receipts from the retirement systems based on a pro rata charge which reflects the number of members in each system to the total universe of members in all systems. The administrative expenses of other statutory programs are paid by appropriations by the General Assembly on a similar basis.

All retirement systems and benefit programs in the Division are operated on a calendar year, rather than the State's fiscal year basis. For this reason, all data shown for the Division are for the captioned calendar year ending December 31.

ACTUARIAL VALUATION

The actuarial valuation is the tool used by an actuary to assess the funding progress of a retirement system and check the adequacy of the contribution rates which have been established to fund the system. An actuarial valuation is, in effect, an inventory of the assets and liabilities under a retirement system at a specific point in time. Information is collected covering all of the active members and all of the retired members and other beneficiaries who are receiving benefit payments. In this way, everyone who has been promised a benefit from the system is included in the actuarial calculations to determine the present value of the system's liabilities. These liabilities are then compared to the system's assets and calculations are made to determine whether the contribution rates will be adequate to fund the uncovered liabilities in the time period originally established. Annual valuations are made so as to permit gradual changes in the contribution level and/or funding period and keep the funding on a proper course. The annual valuation is used by the actuary to compare actual separation, compensation and investment experience with the actuarial assumptions used in the valuation of the liabilities of the system.

As an aid in understanding the actuarial valuation balance sheets, the following describes the components of the valuation balance sheets found in the financial section of this report.

The assets of the actuarial valuation are divided into two categories: (1) Present Assets and (2) Prospective Contributions.

The present assets include:

Regular Contribution Account or Annuity Savings Fund — This is the account to which are credited the regular contributions made by the members (employees) of the System;

Accumulation Account or Pension Accumulation Fund — This is the account to which are credited the contributions made by the State (employer);

Special Contribution Account — This is the fund to which one-third of the income from court costs is credited and from which are paid the lump sum death benefits provided under the Fund and the premiums on the group policy providing for accident and hospital benefits. The other two-thirds of the income from court costs are credited to the Accumulation Account. (Applicable only to the Law Enforcement Officers' Benefit and Retirement Fund.)

The Prospective Contributions include:

The present value of future contributions by members to the Regular Contribution Account.

The present value of future contributions to the Accumulation Account. This account is comprised of normal contributions (Present value of future normal contributions of present membership) and Accrued Liability Contributions (unfunded liability and balance after deducting future normal contributions).

The present value of future contributions to the Separate Benefit Fund on account of death after retirement benefits (applicable to Law Enforcement Officers' Benefit and Retirement Fund only).

The liabilities described in the actuarial valuation are self-explanatory. The liabilities include:

Present value of benefits provided by members' past and future contributions to the Regular Contribution Account;

Present value of benefits provided by members' and employers' contributions that have been accumulated to date in the Special Contribution Account. (Applicable only to the Law Enforcement Officers' Benefit and Retirement Fund);

Present value of retirement allowances payable from the Accumulation Account to retired members and beneficiaries;

Reserve available in the Separate Benefit Fund (LEO) and increases to retired members;

Present value of benefits to be paid by past and future contributions into the Accumulation Account; and,

Reserve on account of undistributed gains reflecting gains made during the year at the present liquidation period and present employer rate. Gains may be used to reduce liquidation period, employer rate, or provide improved benefits.

FUNDING PROVISIONS

The six retirement systems described in this report are being funded on a full actuarial reserve basis and use the entry age normal cost method as the actuarial cost approach. Under this entry age normal cost method, the normal contribution percentage rate is calculated on the basis of the adopted actuarial assumptions as the level percentage of the compensation of the average new member which, if contributed throughout the entire period of active service, would be sufficient, together with his contributions, to support all the benefits payable on his account. The accrued liability is the difference between total liabilities and the present value of future normal cost contributions and the members' future contributions. All experience gains and losses are reflected in the amount of the unfunded accrued liability and thereby affect the period of liquidation.

All retirement systems, except the Legislative Retirement Fund and the National Guard Pension Fund, are joint contributory defined benefit plans with contributions made by both employees and employers. Each active member contributes six percent (6%) of his compensation for creditable service by monthly payroll deduction. Employers make monthly contributions based on a percentage rate of the member's compensation for the month. Employer contribution rates, as set by the Boards of Trustees and Commissioners, are actuarially calculated on a level full funding basis using the entry age normal cost method.

Contributions from employees are accounted for in the Employee Reserve (Annuity Savings Fund). The amounts in the Employee Reserve are liabilities payable to the employee if he elects to withdraw from the retirement system after leaving service creditable to the system and before retirement. Contributions from employers are accounted for in the Employer Reserve (Pension Accumulation Fund). When a member retires, the amount of his accumulated contributions is transferred from the Employee Reserve to the Annuitant Reserve and an amount of the retiree's future benefits is transferred from the Employer Reserve to the Annuitant Reserve. During each year in which there is any increase in benefits payable to present retirees, a sum equal to the present value of that increase is also transferred from the Employer Reserve to the Annuitant Reserve.

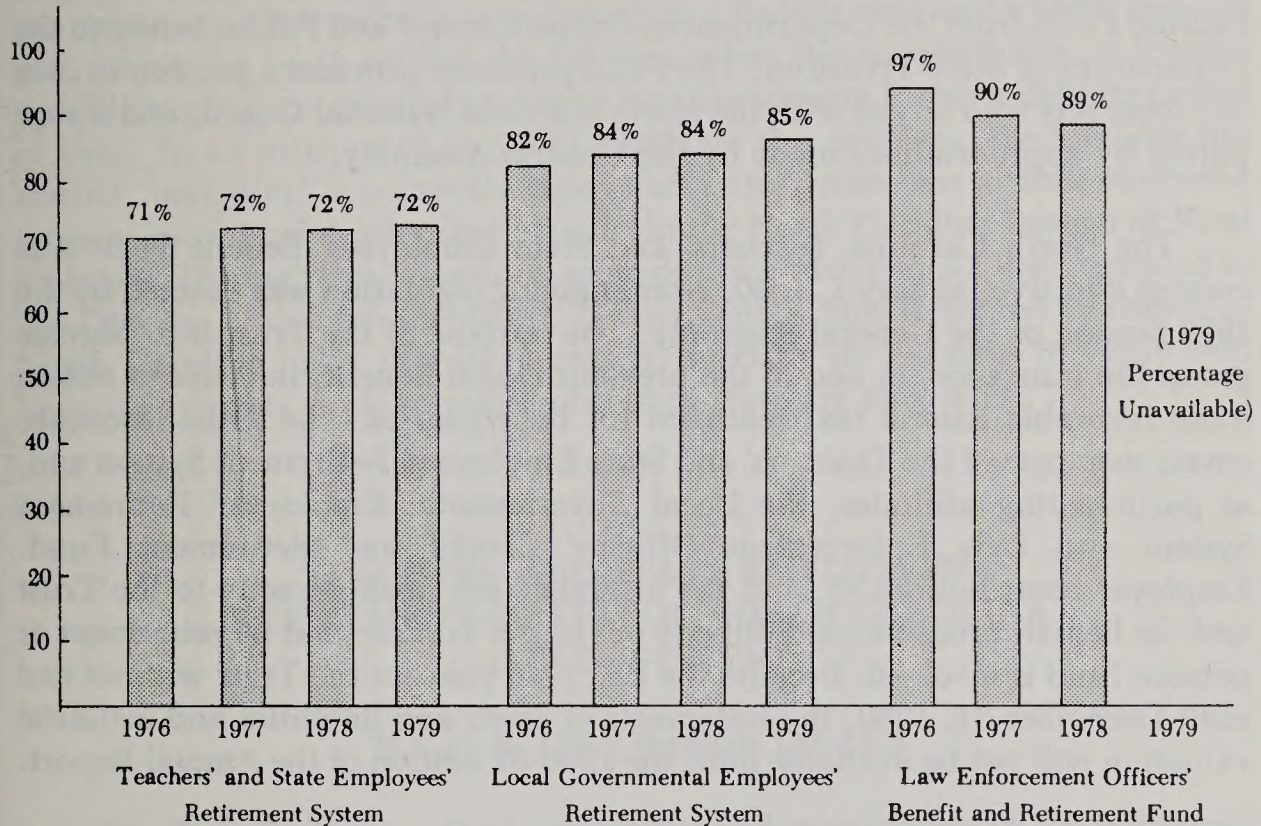
FUNDED STATUS OF THE RETIREMENT SYSTEMS

As already explained, the actuary plays an extremely important role with respect to providing advice on how to fund the Retirement Systems. The consistent use of conservative actuarial assumptions and an approved actuarial cost method over the years since the establishment of the Retirement Systems, on the recognition of all promised benefits in the actuarial liabilities, have resulted in Retirement Systems which can be labeled as "actuarially sound".

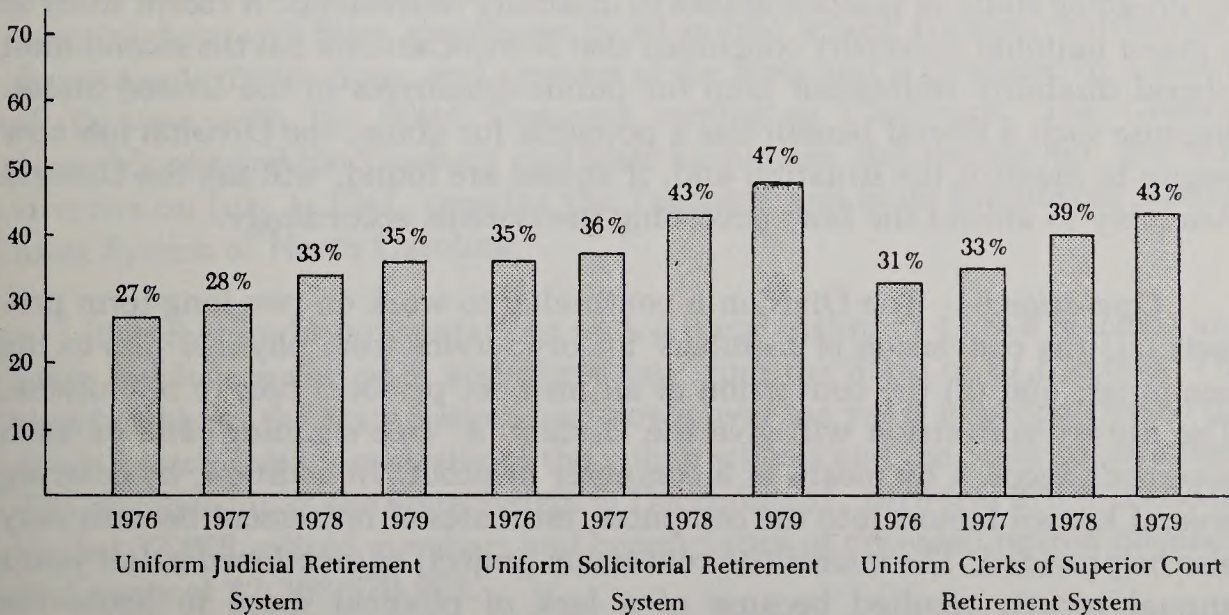
An often asked question of the administrators of the Retirement System is "What is the funded status of the System(s)?" A simple measure for determining the funded status of a System is to relate the total present assets to total accrued liabilities to determine a funded ratio. The total accrued liabilities are found by adding the assets and the unfunded accrued liabilities. For purposes of comparison, the funded ratio for the Retirement Systems is graphically illustrated on the following page.

FUNDED RATIO OF THE RETIREMENT SYSTEMS

% Funded



% Funded



The three Systems on the lower chart reflect a lower funded percentage. These Systems are several years old and the unfunded accrued liability is greater because prior service was offered to the members at no cost. If the funded ratio on these charts were 100%, there would be no unfunded accrued liability and the employer contribution would consist of only the normal contribution (for current service). The Systems would, in this case, be considered "fully funded".

RECENT DEVELOPMENTS

Administration — On July 1, 1979 the North Carolina General Assembly enacted legislation which transferred the administration of the National Guard Pension Fund from the Department of Crime Control and Public Safety to the Department of State Treasurer. The Fund presently provides a pension to over 325 members who served with the North Carolina National Guard, and is supported by appropriations made by the General Assembly.

The North Carolina Teachers' and State Employees' Benefit Trust was created effective January 1, 1980, after enabling legislation was enacted by the 1979 Session of the General Assembly. The purpose of the Trust is to provide group life insurance, in lieu of the previous Death Benefit, in order to obtain more favorable federal tax treatment for beneficiaries. The Trust insurance covers members of the Teachers' and State Employees' Retirement System and, as participating affiliates, the Local Governmental Employees' Retirement System and Law Enforcement Officers' Benefit and Retirement Fund. Employer contributions to fund the insurance are made directly to the Trust and the benefit proceeds paid directly out of the Trust so that no retirement or pension fund is involved. Because the first plan year for the Trust will not end until December 31, 1980, the statements of assets and liabilities and actuarial valuation will not be available until the 1980-81 edition of the Annual Report.

Another development in administration of the Division is the institution of an on-going study of possible abuses in disability retirements. A recent study at a major national university concluded that North Carolina has the second most liberal disability retirement plan for public employees in the United States. Because such a liberal benefit has a potential for abuse, the Division has now begun to monitor the situation and, if abuses are found, will ask the General Assembly to amend the laws governing the systems accordingly.

Operations — The Division is continuing to work on two long-term projects: (1) the conversion of members' history service from physical files to the computer; and (2) the conversion of all member personal files to microfiche. The history conversion will give the Division a "free standing" file on each member's account by means of a computer printout. In addition, by entering several known factors into the computer, estimates of retirement benefits may also be provided. The microfiche conversion project, as mentioned in last year's annual report, resulted because of a lack of physical space to house the members' personal files. This will be an on-going project with new files, even after all existing files have been microfiched. In addition to easing space problems, this process will give the Division greater control over the security of a member's file since the original microfiche jacket will never leave the Records Section.

Over the past year, the Division has developed a heightened awareness about the possibility of benefit payments being utilized by someone other than the payee. One of the problem areas is with retirement benefit payments made by means of direct deposit (electronic fund transfer). With this procedure, payments are electronically transferred to a benefit recipient's bank account and, unless the bank notifies the Division when the recipient dies, it is quite possible to continue depositing money into the account for an indefinite period of time. In an attempt to partially eliminate this problem, the Division has started "matching" a computer tape of all retired members against computer tapes of records of death certificates from the North Carolina Bureau of Vital Statistics. Through this procedure, some deaths which had not been reported to the Division have been identified. Unfortunately, this is limited to deaths in North Carolina only. We are, however, working on a means to verify that benefit payments made to recipients out-of-state are also valid.

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OF NORTH CAROLINA (STATE SYSTEM)

N.C.G.S. 135-1 through 135-18.5

The State System has the largest assets and membership of the retirement systems administered by the Division. The System provides benefits to all full-time teachers and State employees in all public school systems, universities, departments, institutions, and agencies of the State and is governed by a Board of Trustees with the State Treasurer serving as Chairman. The General Assembly enacted the Teachers' and State Employees' Retirement Act, that was effective on July 1, 1941, creating the Teachers' and State Employees' Retirement System of North Carolina.

This System began operations with a membership of 42,878 teachers and State employees and with appropriations from the State of \$1,838,000. The membership of the State System has grown over the years in proportion to the growth in size and complexity of the public schools and the State government. The membership of the State System at December 31, 1979 was 276,873 and included 37,228 retired members and beneficiaries of deceased retired members and assets of \$3,362,579,272.

Benefit Payments — Since the inception of the Retirement System, the amounts of money paid to members in the form of retired benefits, withdrawal of contributions and death benefits have shown a dramatic increase. A graphic presentation of this increase is shown in Exhibit E.

Statement of Fund Balances — The Statement of Assets, Liabilities and Reserve Balances of the State System as they existed at December 31, 1979 and December 31, 1978 is shown in Exhibit F. The distribution of the investments of the assets of the State System as of December 31, 1979 is shown on the chart below:

Chart 14

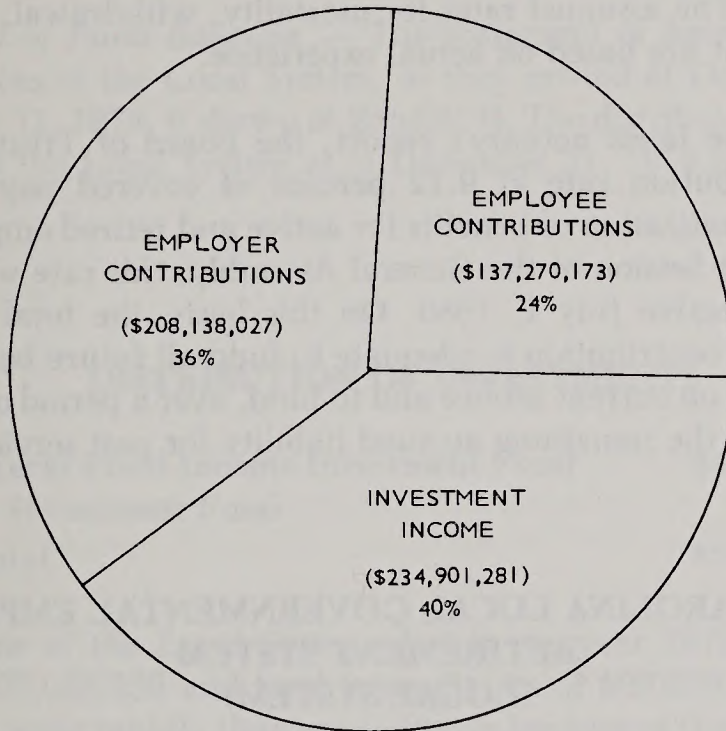
DISTRIBUTION OF INVESTMENTS

Long-Term Fixed Income Investment Fund	\$2,946,820,102
Equity Investment Fund	<u>375,019,969</u>
Total	\$3,321,840,071

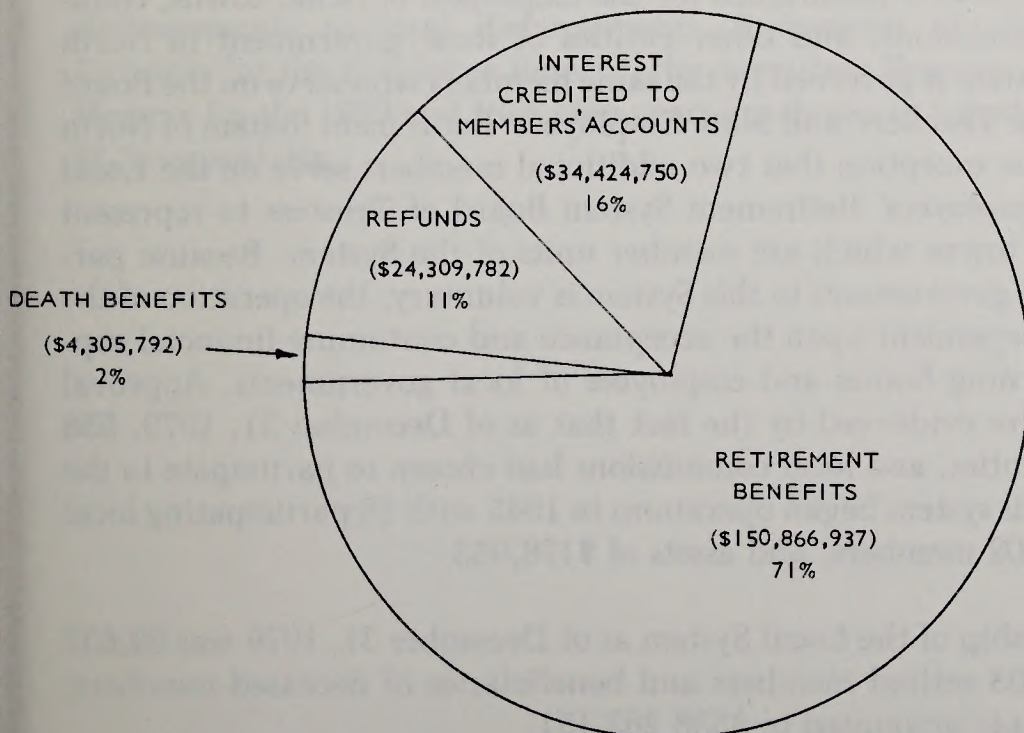
Operations of the State System during the calendar year 1979 resulted in total receipts of \$586,259,036 and total expenditures of \$184,879,095. The expenditures are increasing more rapidly than receipts because of the combination of generally increasing annual benefits to members and the increasing number of retired members in the System. Chart 15 shows the relationship of the various sources of receipts to total receipts and of the various purposes of disbursements to total disbursements. Statements of changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, and the Employer Reserve for the 1979 and 1978 calendar years are shown in Schedules F-1, F-2, and F-3 respectively.

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
OF NORTH CAROLINA
Year Ended December 31, 1979

Income and Receipts



Disbursements and Transfers



The latest Actuary's Valuation Balance Sheet for the State System as of December 31, 1979 is shown in Schedule F-4. Actuarial gains and losses are reflected in the accrued liability and thereby affect the period of liquidation. The asset valuation method is based on cost value. The actuarial economic assumptions are an interest rate of 6% per year and compatible future rates of salary increase. The assumed rates for mortality, withdrawal, disability, and service retirement are based on actual experience.

Based on the latest actuary's report, the Board of Trustees has set the employer contribution rate at 9.12 percent of covered payroll. However, because of a liberalization of benefits for active and retired employees enacted in the 1980 Short Session of the General Assembly, this rate was increased to 9.66 percent effective July 1, 1980. On this basis, the total employee and employer rate of contribution is adequate to fund all future benefits presently authorized based on current service and to fund, over a period of 23 years from January 1, 1979, the remaining accrued liability for past service.

NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM (LOCAL SYSTEM)

N.C.G.S. 128-21 through 128-38

The Local System is maintained for the employees of cities, towns, counties, boards, commissions, and other entities of local government in North Carolina. The System is governed by the same members who serve on the Board of Trustees for the Teachers' and State Employees' Retirement System of North Carolina, with the exception that two additional members serve on the Local Governmental Employees' Retirement System Board of Trustees to represent the counties and towns which are member units of the System. Because participation of local governments in this System is voluntary, the operation of the Local System is dependent upon the acceptance and continuing financial support of the governing bodies and employees of local governments. Approval and acceptance are evidenced by the fact that as of December 31, 1979, 558 cities, towns, counties, and local commissions had chosen to participate in the Local System. This system began operations in 1945 with 18 participating local governments, 2,102 members, and assets of \$178,053.

The membership of the Local System as of December 31, 1979 was 69,637 and included 7,003 retired members and beneficiaries of deceased members. Assets as of this date amounted to \$536,263,151.

Benefit Payments — As with the State System, payments made to members and beneficiaries in the Local System have reflected a vast increase over the years since the system was established on July 1, 1945. A graphic presentation of this increase is shown on Exhibit G.

Statement of Fund Balances — The Statement of Assets, Liabilities and Reserve Balances of the Local System, as they existed at December 31, 1979, and December 31, 1978, is shown in Exhibit H. The distribution of investments of the assets of the Local System as of December 31, 1979 is shown below:

Chart 16

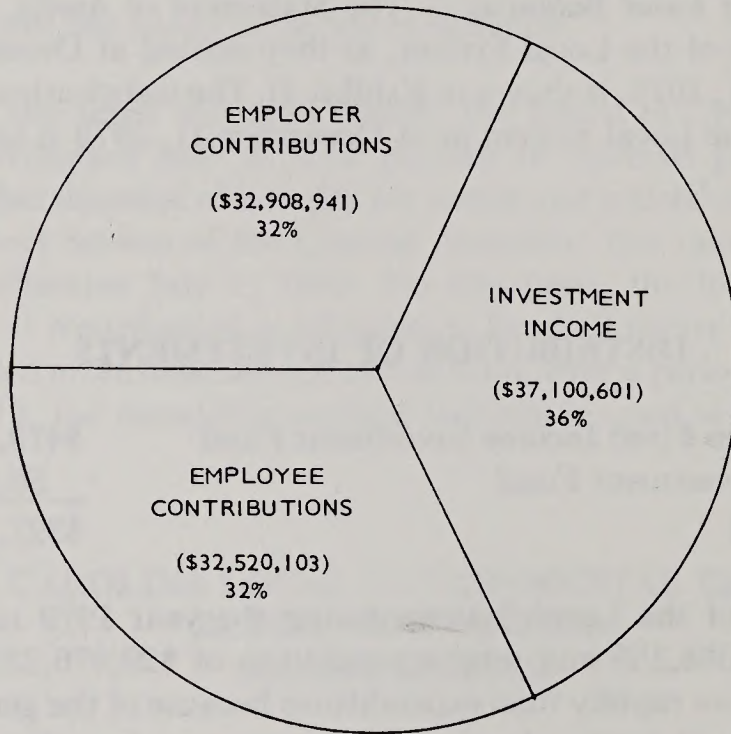
DISTRIBUTION OF INVESTMENTS

Long-Term Fixed Income Investment Fund	\$470,610,313
Equity Investment Fund	<u>56,568,885</u>
Total	\$527,179,198

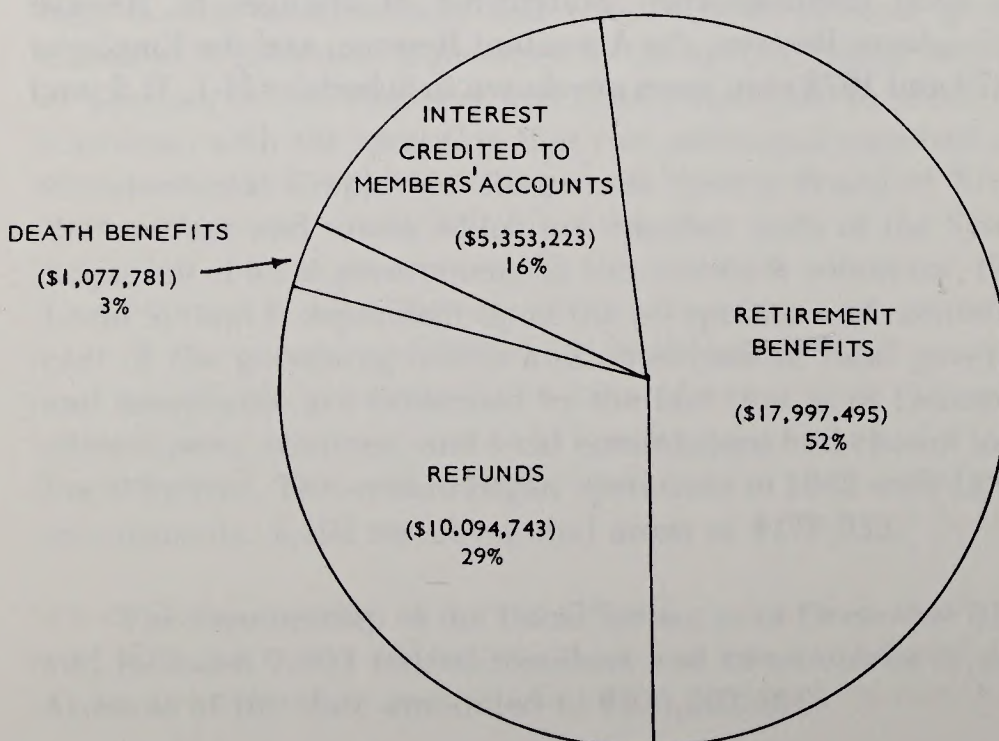
Operations of the Local System during the year 1979 resulted in total receipts of \$107,058,155 and total expenditures of \$29,976,232. The receipts are increasing more rapidly than expenditures because of the generally increasing number of participating local governments, number of active members, and compensation paid to members. Chart 17 shows the relationship of the various sources of receipts to total receipts and of the various purposes of disbursements to total disbursements. Statements of changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, and the Employer Reserve for the 1979 and 1978 plan years are shown in Schedules H-1, H-2, and H-3 respectively.

**NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM**
Year Ended December 31, 1979

Income and Receipts



Disbursements and Transfers



The latest Actuary's Valuation Balance Sheet for the Local System, as of January 1, 1979, is shown in Schedule H-4. The valuation utilizes a frozen accrued liability with gains and losses reflected in the normal rate of contribution. The asset valuation method is based on cost value. The actuarial economic assumptions are an interest rate of 6% per year and compatible future rates of salary increase. The assumed rates for mortality, withdrawal, disability, and service retirement are based on actual experience.

The Board of Trustees has set the employer normal contribution rate at 4.16 percent of covered payroll for each employing unit. The accrued liability rate, if any, varies with the employing units depending on the amount of prior service which is awarded to the members. The normal contribution rate was increased from 4.07 percent effective July 1, 1980, as a result of legislation which provided an additional cost-of-living increase for retired members.

THE LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND (LEO)

N.C.G.S. 143-166

The Law Enforcement Officers' Benefit and Retirement Fund (LEO) was established on July 1, 1940; however, it did not come under the jurisdiction of the Department of State Treasurer until July 1, 1978 when the North Carolina General Assembly enacted legislation to transfer it from the Department of State Auditor. The Fund is maintained for full-time and permanent employees of the State of North Carolina, or any political subdivision thereof, who serve as law enforcement officers, clothed with the power of arrest, and whose primary duty is that of enforcing on the public property the criminal laws of the State or serving civil processes. While the benefit structure of the Fund is very similar to the other Retirement Systems administered by the Department of State Treasurer, it is governed by a Board of Commissioners rather than the Boards of Trustees which govern the other Systems. The State Treasurer also serves as chairman of this Board.

Statement of Fund Balances — The Statement of Assets, Liabilities and Reserve Balances of the LEO Fund as they existed on December 31, 1978, and June 30, 1979, is shown in Exhibit I. The distribution of investments of the

assets of the LEO Fund as of December 31, 1979 is shown below:

Chart 18

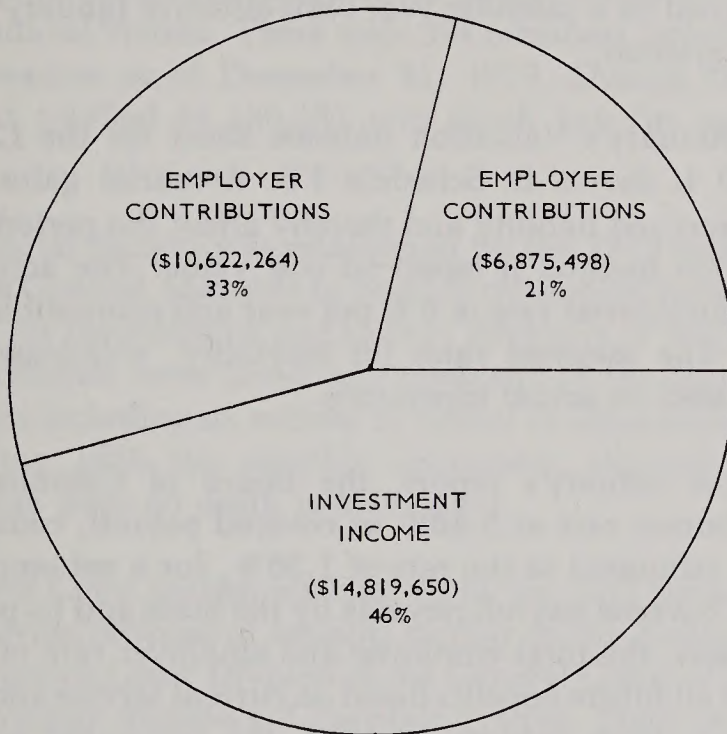
DISTRIBUTION OF INVESTMENTS

Long-Term Fixed Income Investment Fund	\$171,353,000
Equity Investment Fund	<u>27,600,000</u>
Total	\$198,953,000

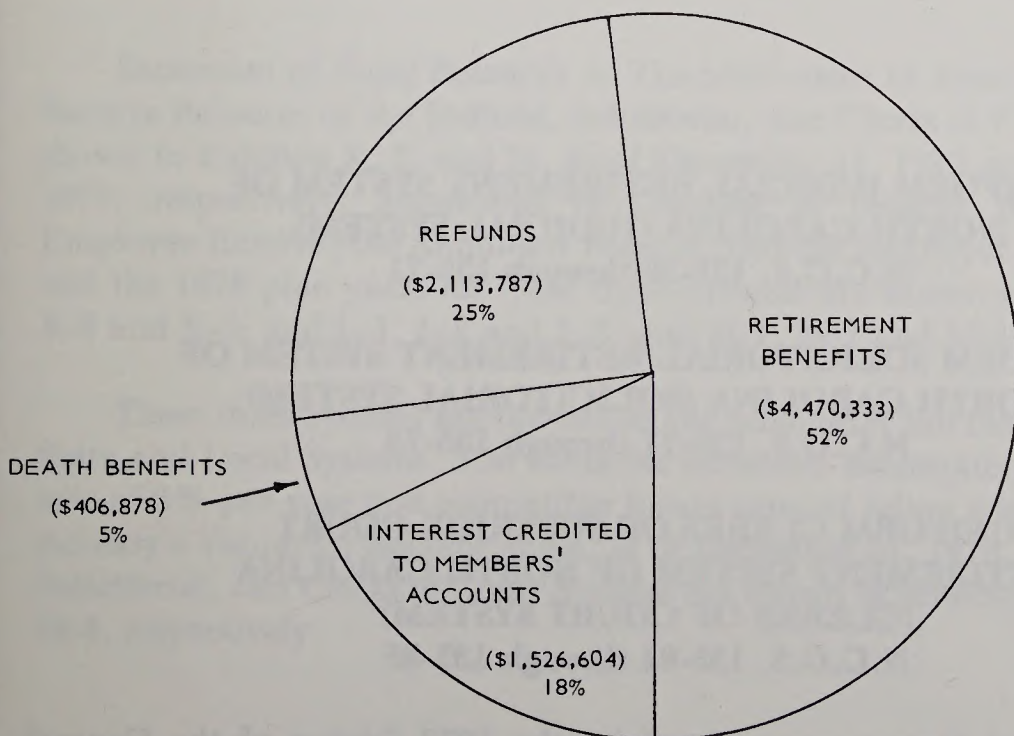
Operations of the LEO Fund during the calendar year 1979 resulted in total receipts of \$32,679,047 and total expenditures of \$8,168,367. The expenditures are increasing more rapidly than receipts because of the combination of generally increasing annual benefits to members and the increasing number of retired members in the System. Chart 19 shows the relationships of various sources of receipts to total receipts and of the various purposes of disbursements to total disbursements. Statements of changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, the Employer Reserve, and Separate Benefit Reserve on December 31, 1978 and June 30, 1978 are shown in Schedules I-1, I-2, I-3, and I-4 respectively.

**LAW ENFORCEMENT OFFICERS' BENEFIT AND
RETIREMENT FUND**
Year Ended December 31, 1979

Income and Receipts



Disbursements and Transfers



The LEO Fund began operations with 4,000 members and total assets of \$398,254. As of January 1, 1979, the membership has increased to 8,820, including 852 retired members, and total assets of \$177,047,809. The increase in the growth of LEO is reflected in the amount of payments made since 1965, as indicated on Exhibit J. It should also be noted that since LEO has been transferred to the Department of State Treasurer, bookkeeping and auditing functions are maintained on a calendar year basis effective January 1, 1979, as they are in the other Systems.

The latest Actuary's Valuation Balance Sheet for the LEO Fund as of January 1, 1979 is shown in Schedule I-5. Actuarial gains and losses are reflected in the accrued liability and thereby affect the period of liquidation. The asset valuation method is based on cost value. The actuarial economic assumptions are an interest rate of 6% per year and compatible future rates of salary increase. The assumed rates for mortality, withdrawal, and service retirement are based on actual experience.

Based on the actuary's report, the Board of Commissioners set the employer contribution rate at 5.46% of covered payroll, reduced by receipts from court costs estimated at the rate of 1.36%, for a net employer contribution of 4.10% of covered payroll payable by the State and its political subdivisions. On this basis, the total employee and employer rate of contribution is adequate to fund all future benefits based on current service and to fund, over a period of 25 years from January 1, 1979, the remaining accrued liability. Subsequent action of the 1980 Short Session of the General Assembly set the net employer contribution rate at 4.78% of covered payroll effective July 1, 1980.

**UNIFORM JUDICIAL RETIREMENT SYSTEM OF
NORTH CAROLINA (JUDICIAL SYSTEM)
N.C.G.S. 135-50 through 135-71**

**UNIFORM SOLICITORIAL RETIREMENT SYSTEM OF
NORTH CAROLINA (SOLICITORIAL SYSTEM)
N.C.G.S. 135-77 through 135-78**

**UNIFORM CLERKS OF SUPERIOR COURT
RETIREMENT SYSTEM OF NORTH CAROLINA
(CLERKS OF COURT SYSTEM)
N.C.G.S. 135-84 through 135-85**

The Judicial System was created by the 1973 Session of the General Assembly to be effective January 1, 1974. The membership of the Judicial System is composed of judges and justices of the General Court of Justice of

North Carolina. Prior to the creation of this System, judges of the Superior Court, Appellate Court, and justices of the Supreme Court received a pension upon retirement which was a continuation of compensation appropriated annually by the General Assembly. Included in the membership of this System as retirees were judges and justices previously retired and, for the first time, the surviving spouses of previously retired judges and justices. The Courts' Commission was responsible for the design of the benefit structure and funding provisions of the Judicial System. There were 324 members including 93 retirees in receipt of allowances as of December 31, 1979. During 1979 the monthly allowances paid totalled \$1,180,581 and death benefits paid amounted to \$65,600.

The Solicitorial System was established by the 1973 Session (Second Session 1974) of the General Assembly to provide retirement benefits similar to the Judicial System for the solicitors and district attorneys of the General Court of Justice. These officials were previously members of the State System. There were 45 members including six retirees in receipt of allowances as of December 31, 1979. During 1979 the monthly retirement allowances paid totalled \$71,803 and there were no death benefits paid.

The Clerks of Court System was created by the 1975 Session of the General Assembly to provide retirement benefits similar to the Judicial System for all Clerks of the Superior Court Division of the General Court of Justice. These officials were previously members of the State System. There were 130 members including 27 retirees in receipt of monthly allowances as of December 31, 1979. During 1979 the monthly retirement allowances paid totalled \$226,317 and there were no death benefits paid.

Statement of Fund Balances — The Statements of Assets, Liabilities and Reserve Balances of the Judicial, Solicitorial, and Clerks of Court Systems are shown in Exhibits K, L and M, as of December 31, 1979 and December 31, 1978, respectively. Statements of Changes in Reserve Balances for the Employee Reserve, the Annuitant Reserve, and the Employer Reserve for 1979 and the 1978 plan years for these three Systems are shown in Schedules K-1, K-2 and K-3; and L-1, L-2 and L-3; and M-1, M-2 and M-3 respectively.

These three systems are funded on the same level full funding basis as the State and Local Systems. The actuarial economic assumptions are an interest rate of 5% per year and compatible future rates of salary increase. The latest Actuary's Valuation Balance Sheet, as of December 31, 1979, for the Judicial, Solicitorial, and Clerks of Court Systems are shown in Schedules K-4, L-4, and M-4, respectively.

Members of these Systems who had retired on or before July 1, 1979 received a 10% post-retirement adjustment effective July 1, 1980. As a result, the General Assembly set the following employer contribution rates on the same date. Also indicated is the period to fund the remaining accrued liability from January 1, 1980, established by the Board of Trustees.

Chart 20

CONTRIBUTION RATE AND FUNDING PERIOD

Employer Contribution

<u>System</u>	<u>Rate</u>	<u>Funding Period</u>
Judicial	30.77 %	33 years
Solicitorial	24.03 %	32 years
Clerks of Court	29.00 %	34 years

**LEGISLATIVE RETIREMENT FUND
(FUND)**

N.C.G.S. 120-4.1 through 120-4.2

The Fund was created by the 1969 Session of the General Assembly as a retirement plan for members and elected officers of the North Carolina General Assembly. The Fund was abolished, prospectively, by the 1973 Session (Second Session 1974). The abolishing Act preserved the vested and inchoate rights of the members in the Fund so that all members and former members of the General Assembly who had qualified by virtue of service as of 1974 are still in receipt of monthly allowances or may apply for and receive monthly allowances at age 65. There were 59 former members and officers of the General Assembly in receipt of allowances with a cost in the year ended December 31, 1979, of some \$98,100. This cost is funded by a contribution of 5% of compensation paid by members at retirement and an annual general fund appropriation made to the General Assembly.

The Fund is not operated as a retirement fund, but as a governmental general type fund. The Statement of Assets, Liabilities and Fund Balances as they existed on December 31, 1979 and December 31, 1978 is shown in Exhibit N. The Statement of Changes in the Fund Balance for the years ended 1979 and 1978 is shown in Schedule N-1.

HEALTH BENEFITS PROGRAM FOR TEACHERS AND STATE EMPLOYEES

(HEALTH PROGRAM)

N.C.G.S. 135-35 through 135-36

The Health Program was created by the 1971 Session of the General Assembly to provide a two-part program consisting of hospital and medical care benefits and disability salary continuation benefits.

Hospital and medical care benefits have been provided by contract with Blue Cross and Blue Shield of North Carolina since July 1, 1972. Eligible subscribers include (i) all permanent and full-time teachers and State employees, and (ii) retired teachers, State employees and their surviving spouses. The contract for hospital and medical care benefits is determined by the Board of Trustees by a process of competitive proposals and negotiations. The individual subscriber cost for active teachers and State employees is currently fully funded by the employer as provided by General Assembly appropriations bills. Dependent coverage is available at an additional cost to the individual. The carrier premiums are paid to and claims handled by the carrier.

State funding for the individual cost of retired teachers, State employees and their surviving spouses was provided for the first time, beginning October 1, 1978, by appropriations from the General Fund by the General Assembly. This action caused the number of retired subscribers to approximately double and the premiums paid to increase.

The composition of the health and medical care benefits coverage group as of the last quarter in the calendar years ended 1979 and 1978 was as follows:

Chart 21

BENEFITS MEMBERSHIP

	<u>1979</u>	<u>1978</u>
Number of Employees	193,815	189,073
Number of Employee Dependents	184,311	214,834
Number of Retirees	36,182	32,376
Number of Retiree Dependents	<u>21,154</u>	<u>21,820</u>
Total Covered	435,462	458,103

The decrease in the dependent coverage is a result of Public Law 95-555 which mandated that maternity benefits be paid for covered female employees and dependent spouses of male employees on the same basis as benefits are provided for other conditions.

Premiums paid to the carrier and claims paid to subscribers by the carrier during the fiscal years 1978-79 and 1977-78 were as follows:

Chart 22

PREMIUMS AND CLAIMS PAID

	<u>1979</u>	<u>1978</u>
Premiums	\$93,005,130	\$86,791,693
Claims Paid	\$89,141,012	\$76,630,385

Disability salary continuation benefits are self-insured and are administered by the Division. The North Carolina Employee Disability Fund was established to guarantee these benefits and was funded for a period of three years, from July 1, 1972 to June 30, 1975, at the rate of \$3.00 per month per employee paid by the employers. In 1975 the General Assembly suspended the employer contribution. Since that time, benefits have continued to be paid from the investment earnings and accumulated reserves. In 1977, for the first time, the benefit payments exceeded the investment earnings and the difference was paid from the accumulated reserves. According to actuarial projections, the reserves against future employer contributions could be exhausted in the calendar years 1981 or 1982.

The Statement of Assets, Liabilities and Reserve Balances of the North Carolina Employee Disability Fund as they existed on December 31, 1979 and 1978 is shown in Exhibit O with the Statements of Changes in the Annuitant and Employer Reserves for the same periods shown in Schedules O-1 and O-2. The Actuary's Valuation Balance Sheet as of December 31, 1979 is shown in Schedule O-3.

Shown below are certain facts relating to the number of disabled members, number of new claims during the year, the claims closed during the year, investment earnings, and amount of benefit payments during the calendar years ended 1979 and 1978.

SELECTED STATISTICS

	<u>1979</u>	<u>1978</u>
Number of Disabled Members	1,040	802
New Claims During the Year	617	669
Claims Closed During the Year	555	557
Investment Earnings	\$1,182,736	\$1,205,802
Amount of Benefit Payments	\$1,885,214	\$1,647,096

**PUBLIC EMPLOYEES' SOCIAL SECURITY AGENCY
(SOCIAL SECURITY AGENCY)**

N.C.G.S. 135-19 through 135-26

The Social Security Agency administers the State's responsibility under the Social Security Agreement between the State of North Carolina and the Secretary of Health, Education, and Welfare. This Agreement was entered into on July 16, 1951. This Agreement was executed pursuant to authority in Section 218 of the Federal Social Security Act and Article 2, Chapter 135 of the General Statutes of North Carolina.

The provisions of the Agreement require the Social Security Agency to provide the mechanics of coverage for the State and its qualified political subdivisions, to collect and transmit employee and employer contributions, and to act as liaison between the State and the Social Security Administration.

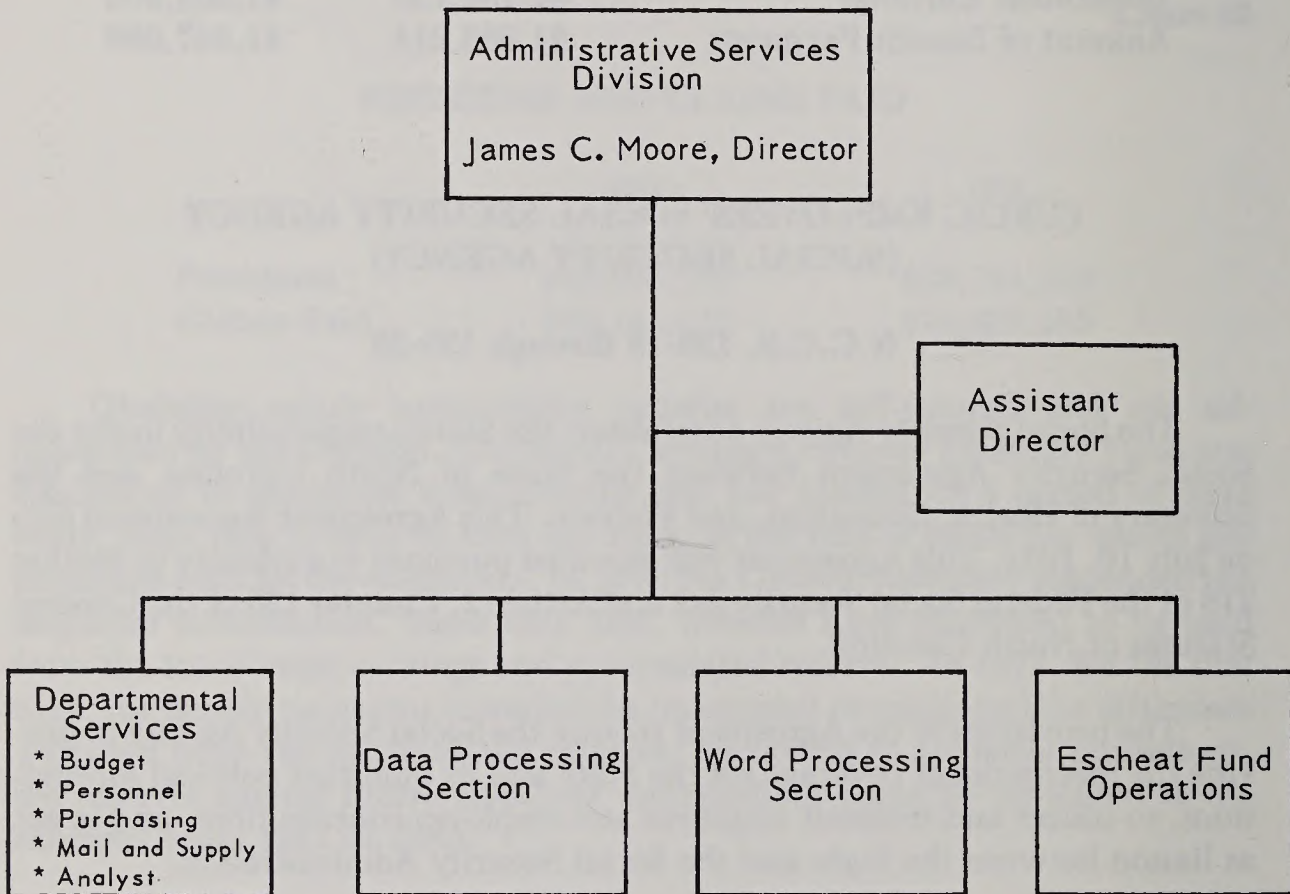
During the calendar year ended December 31, 1979 the Social Security Agency remitted \$393,933,164 in employee and employer social security contributions from 1,237 State and local government coverage units for more than 362,000 public employees in North Carolina.

The Statement of Assets and Liabilities and the Statement of Receipts and Disbursements of the Social Security Agency for the year ended December 31, 1979 are shown in Exhibit P and Schedule P-1, respectively.

ADMINISTRATIVE SERVICES DIVISION

Chart 24

ORGANIZATION



TECHNICAL OPERATIONS

WORD PROCESSING

The Word Processing Center presently contains four word processing machines and three central recorders which are tied into the Departmental telephone system. All four Divisions (Retirement and Health Benefits, Investment and Banking, State and Local Government Finance, and Administrative Services) actively utilize the Word Processing Center.

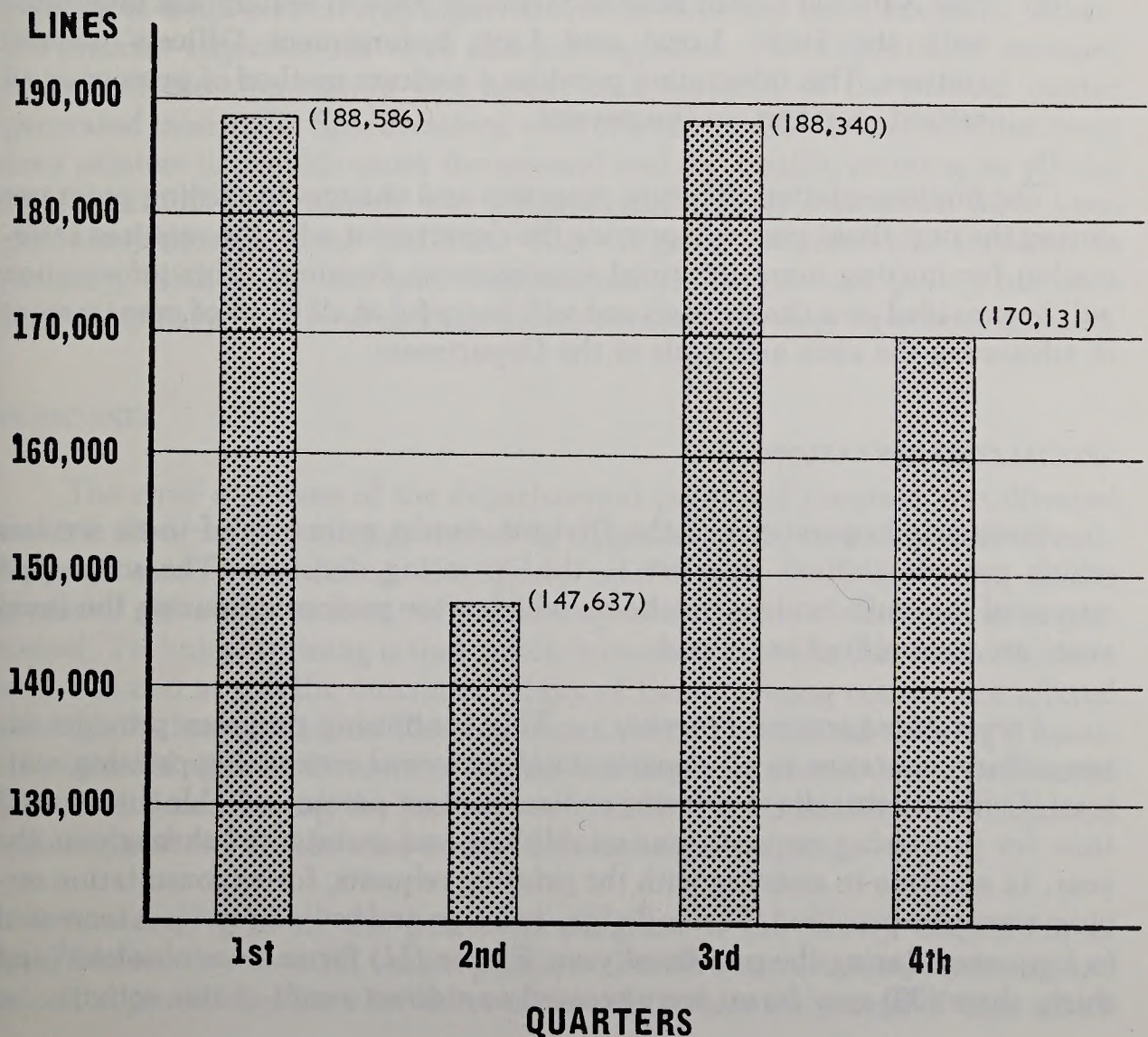
The Center installed a photographic composer in the Fall of 1979. Beginning January 1, 1980, the Center has provided all camera-ready copy for the State and Local Government Finance Division. This includes note circulars, FHA bond circulars, notices of sale and most importantly the bond official

statements. The acquisition of this equipment has materially contributed to the quality of the product and to decreasing the time required to complete each assignment. It has also reduced the total printing expenses for the official statements by approximately 50 %.

An interface device has been installed between the word processing equipment and the photocomposer. The installation of this device has enabled the word processing operators to prepare draft material and to transmit electronically the corrected material to the photocomposer. This procedure effects substantial savings in the use of photographic paper supplies as well as eliminating the need for rekeyboarding material.

During the fiscal year, the Word Processing Center processed some 92,137 pages with a total line count of 2,084,085. The following chart indicates the average monthly line count by quarters:

Chart 25

AVERAGE MONTHLY LINE COUNT

DATA PROCESSING

During the fiscal year, the data processing section continued to engage in planning to meet future departmental requirements. These requirements as expressed by the various divisions necessitated the acquisition of a new and more powerful computer system. The system which was installed in June, 1980 more than doubles the capacity of the previous system. The additional computer capacity will satisfy the normal growth of the Department for the near future. The procurement and implementation of the system was accomplished without an increase in the operating budget.

Various benefits have been realized using the new computer; among these are:

1. The Investment and Banking Division automated the processing of certifications of deposit. This has provided the Department with the capability of continuing the long-range goal of automating the State cash management program.
2. The National Guard Retired Members' Payroll System was integrated with the State, Local and Law Enforcement Officers' payroll systems. This integration provides a uniform method of processing all retired members on the payroll.

The implementation of future programs and changes to existing programs during the next fiscal year will provide the department with the required information for making more informed management decisions. This information will be provided on a timely basis and will be useful at all levels of management in advancing the aims and goals of the Department.

SPECIALIZED OPERATIONS

Specialized operations of the Division consist primarily of those services which provide indirect support to the operating divisions. The scope and nature of the staff services functions, which were performed during the fiscal year, are exemplified as follows:

Forms Management Program — This continuing program provides intermediary assistance to all departmental personnel concerning printing matters. Having a centralized printing control contact person, a stable turnaround time for processing requests was established and maintained throughout the year. In addition to assisting with the printing requests, forms consultation services were also provided. Forms design, redesign and revision services increased in frequency during the past fiscal year. Eleven (11) forms were obsoleted and thirty-three (33) new forms were created as a direct result of this activity.

Retirement Records Microfilm Conversion — During the fiscal year, an updatable microfilm jacket system was established as a result of a study conducted in the 1978-79 fiscal year. The microfilm equipment was put in place and personnel were trained to operate the equipment.

The Retirement Records section currently has a modern micrographic system enabling it to convert all standing paper files to microfilm jackets. This conversion of existing records has begun. Effective January 1, 1980, the records of all new enrollees are converted directly to microfilm which has eliminated the growth of the paper file system. Written procedures for this new operation were prepared.

Zip Code Mail Sorting — During the fiscal year, the Department continued to have large mailings presorted by a commercial vendor. The postage avoidance realized from this activity from July 1, 1979, through June 30, 1980, was \$4,627.18.

Printing of Official Statements — With the acquisition of the photocomposer, the Department was able to accommodate all composition requirements relating to bond official statements as well as note and bond circulars. Other less critical requirements were also accomplished. The Department assumed control of the composition and layout of a majority of the printed matter generated internally. Specifications were written and bids were solicited from area printers to provide quick turnaround and top quality printing on official statements. A local printer was selected and official statements have been published through these facilities. This on-going program was initiated in January, 1980, and it has been very successful. The product quality has been maintained at a high level and significant monetary savings have been realized.

PERSONNEL

The chief emphasis of the departmental personnel program was directed toward all types of training, including upgrade, cross, technical and formal. Upgrade and crosstraining are widely used within the Department as the means of elevating the levels of proficiency of clerical and administrative personnel. Technical training is that which is conducted in the classroom situation and is aimed at specific outcomes. Many of these training courses are offered through the State Personnel Development Center. Formalized training is usually associated with institutions of higher learning and extend over a protracted period of time. During the year, three members were enrolled in formalized training and twenty-six were engaged in technical training.

A second goal of the personnel program is the timely acquisition of qualified employees to fill vacant positions. Positive recruitment, screening and selection procedures have served to effectively reduce the period of time which

the positions are “open”. Whenever possible, vacant positions are filled from resources within the Department.

A breakdown of employment distribution by job categories and the allocation of authorized positions is shown in the following charts:

Chart 26

EMPLOYMENT DISTRIBUTIONS

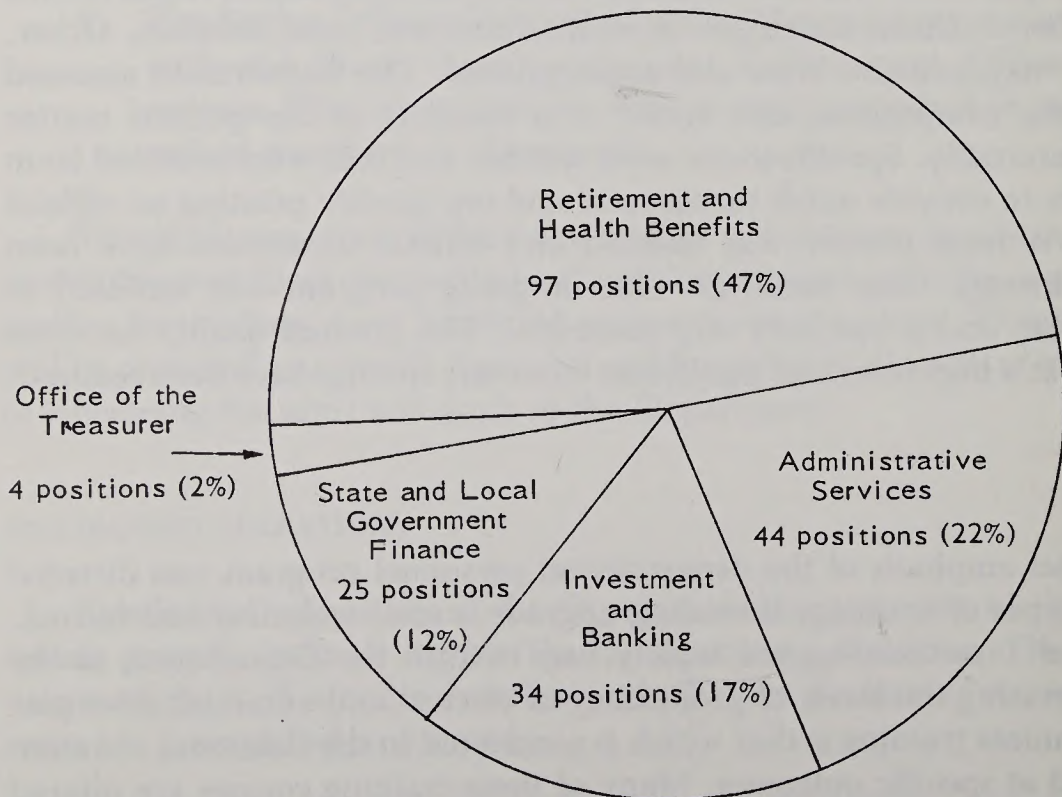
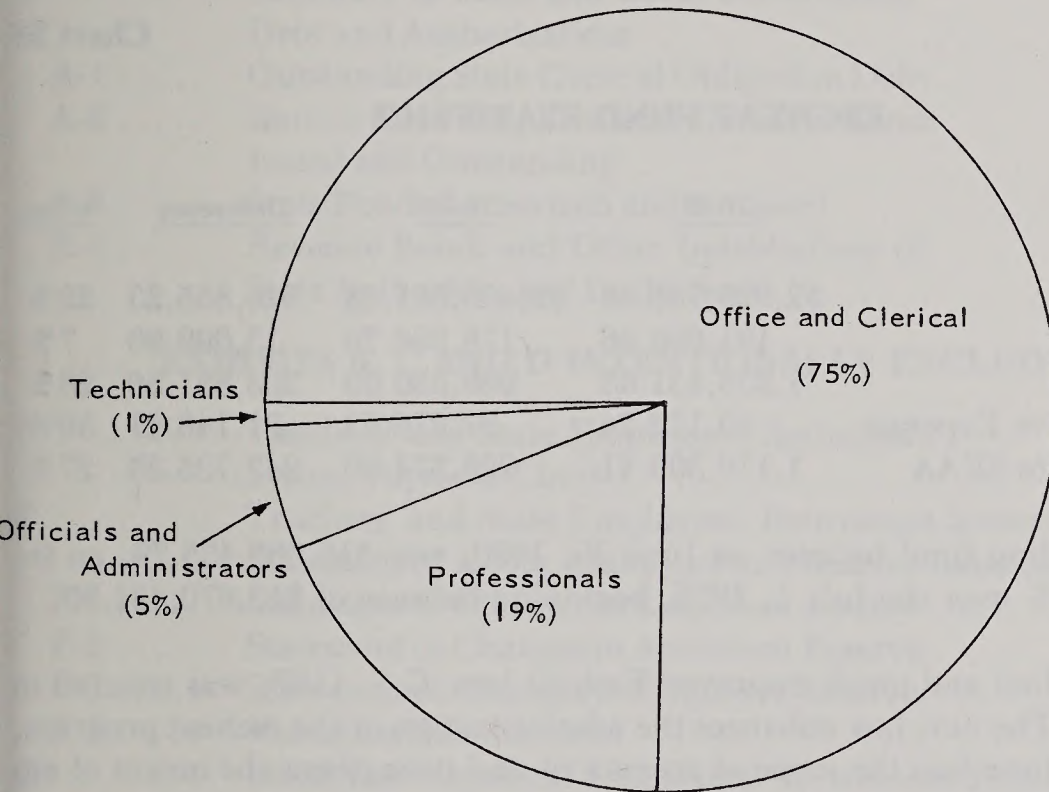


Chart 27

ALLOCATION OF POSITIONS**ESCHEAT OPERATIONS**

The North Carolina Escheat Fund receives, and holds in trust for the rightful owners, both real and personal property. Escheated property includes that of decedents who have not disposed of their property by will and who have no known or discoverable heirs entitled to it. Abandoned personal property which has not been claimed by and is undeliverable to the owner represents the major source of receipts (remittances) to the fund. This type of property is usually in salaries and wages, stocks and dividends, savings and checking account balances. These properties are frequently held by insurance companies, banks, savings and loan associations, credit unions, hospitals, utilities, businesses, corporations and State and local governmental agencies.

The property which is received by the State Treasurer is invested in interest bearing securities. The net income earned from these investments is distributed on an annual basis to the State Education Assistance Authority. This agency uses those moneys to provide loans to worthy and needy resident students who attend institutions of higher education in North Carolina.

A determined effort has recently been made to expand the coverage of the escheat program and to improve the internal effectiveness of the operation. During the next fiscal year, all operating records will be computerized and all standing files will be microfilmed. The growth of the fund during the current fiscal year has been substantial, as the following statistics will reveal:

Chart 28

ESCHEAT FUND STATISTICS

	<u>79-80</u>	<u>78-79</u>	<u>Difference</u>	<u>% Inc.</u>
Escheats	\$2,926,736.88	\$2,400,881.65	525,855.23	22 %
Refunds	191,696.66	178,596.76	13,099.90	7 %
Revenues	1,235,431.65	966,550.09	268,881.56	28 %
Administrative Expenses	59,122.24	37,976.03	21,146.21	56 %
Transferred to SEAA	1,176,309.41	928,574.06	247,735.35	27 %

The ending fund balance on June 30, 1980, was \$16,665,455.79; an increase of 20 % over the July 1, 1979, beginning balance of \$13,870,431.95.

A modified and much improved Escheat law, G.S. 116B, was enacted in June, 1980. The new law enhances the administration of the escheat program, measurably broadens the scope of operations and strengthens the means of enforcement as well as providing the mechanism for more aggressive action in locating owners of abandoned property. It is noteworthy that this law extends indefinitely the period of time during which refund claims may be presented; this procedure will be beneficial to all owners whose property has escheated.

Financial statements are presented in Exhibit P.

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SUMMARY OF STATE AND LOCAL GOVERNMENT DEBT AND AUTHORIZATIONS

At June 30, 1980

	General Obligation	Revenue Bonds	Total Outstanding Debt	Authorized and Unissued Bonds
State	\$ 753,750,000	\$ 1,795,000	\$ 755,545,000	\$386,017,000
State Authorities and Institutions	—	512,114,055	512,114,055	—
	<u>753,750,000</u>	<u>513,909,055</u>	<u>1,267,659,055</u>	<u>386,017,000</u>
Counties	717,930,480	97,794,000	815,724,480	256,593,000
Cities and Towns	770,978,196	7,669,000	778,647,196	228,701,000
Other Political Subdivisions	29,875,500	80,728,000	110,603,500	10,399,000
	<u>1,518,784,176</u>	<u>186,191,000</u>	<u>1,704,975,176</u>	<u>495,693,000</u>
	<u>\$2,272,534,176</u>	<u>\$700,100,055</u>	<u>\$2,972,634,231</u>	<u>\$881,710,000</u>

Note: This Exhibit does not include Bond Anticipation Notes and Revenue Bond Anticipation Notes.

SCHEDULE A-1

OUTSTANDING STATE GENERAL OBLIGATION DEBT

At June 30, 1980

General Fund	
Public School Facilities Bonds	\$230,000,000
Clean Water Bonds	62,500,000
Capital and Public Improvement Bonds	282,250,000
Total General Fund	574,750,000
Highway Fund	
Highway Bonds	179,000,000
Total General and Highway Fund	753,750,000

SCHEDULE A-2

ANNUAL DEBT REQUIREMENTS FOR STATE BONDS ISSUED AND OUTSTANDING
At June 30, 1980

Fiscal Year	GENERAL FUND		HIGHWAY FUND		TOTAL	
	Principal	Principal & Interest	Principal	Principal & Interest	Principal	Principal & Interest
1980-81	\$ 30,550,000	\$ 60,230,450	\$ 20,000,000	\$ 28,148,500	\$ 50,550,000	\$ 88,378,950
1981-82	31,500,000	59,782,550	13,000,000	20,238,000	44,500,000	80,000,550
1982-83	32,800,000	59,564,000	13,000,000	19,631,000	45,800,000	79,195,000
1983-84	34,700,000	59,703,000	13,000,000	19,051,000	47,700,000	78,754,000
1984-85	35,700,000	58,824,500	13,000,000	18,463,000	48,700,000	77,287,500
1985-86	35,500,000	56,652,000	13,000,000	17,904,500	48,500,000	74,556,500
1986-87	34,500,000	53,760,500	11,000,000	15,407,500	45,500,000	69,168,000
1987-88	35,500,000	52,801,000	9,000,000	12,936,000	44,500,000	65,737,000
1988-89	35,500,000	50,860,500	8,000,000	11,550,000	45,500,000	62,410,500
1989-90	35,500,000	48,994,500	8,000,000	11,162,000	43,500,000	60,156,500
1990-91	35,500,000	47,197,500	8,000,000	10,774,000	43,500,000	57,971,500
1991-92	33,500,000	43,423,500	8,000,000	10,382,000	41,500,000	53,805,500
1992-93	32,500,000	40,654,500	10,000,000	11,965,000	42,500,000	52,619,500
1993-94	30,500,000	36,989,500	10,000,000	11,470,000	40,500,000	48,459,500
1994-95	30,500,000	35,377,500	10,000,000	10,975,000	40,500,000	46,352,500
1995-96	28,500,000	31,840,000	12,000,000	12,437,500	40,500,000	44,277,500
1996-97	23,000,000	24,935,000			23,000,000	24,935,000
1997-98	11,000,000	11,880,000			11,000,000	11,880,000
1998-99	8,000,000	8,335,000			8,000,000	8,335,000
	<u>\$574,750,000</u>	<u>\$841,785,500</u>	<u>\$179,000,000</u>	<u>\$242,495,000</u>	<u>\$753,750,000</u>	<u>\$1,084,280,500</u>

STATE BONDS AUTHORIZED AND UNISSUED

As of June 30, 1980

Clean Water Bonds of 1972	\$ 8,000,000
Clean Water Bonds of 1977	198,000,000
Higher Education Capital Improvement Bonds of 1975	17,000
Highway Bonds of 1977	180,000,000
	<u>\$386,017,000</u>

SCHEDULE A-4

REVENUE BONDS AND OTHER INDEBTEDNESS OF STATE
AUTHORITIES AND INSTITUTIONS

At June 30, 1980

Appalachian State University	\$ 18,244,539
East Carolina University	11,623,000
Elizabeth City State University	2,078,000
Fayetteville State University	3,115,000
North Carolina A & T University	4,253,000
North Carolina Central University	4,891,000
North Carolina State University	16,867,447 ¹
North Carolina School of the Arts	294,164 ²
Pembroke State University	1,690,000
University of North Carolina at Asheville	1,271,900
University of North Carolina at Chapel Hill	20,317,201
University of North Carolina at Charlotte	16,050,500
University of North Carolina at Greensboro	4,265,000 ³
University of North Carolina at Wilmington	7,147,162
Western Carolina University	9,738,960 ⁴
Winston-Salem State University	2,909,000
North Carolina Housing Finance Agency	110,850,000
North Carolina Medical Care Commission	212,368,182
North Carolina State Education Assistance Authority	52,740,000
North Carolina State Ports Authority	11,400,000
Total	<u>\$512,114,055</u>

¹Includes \$47,424 Escheat Loan²Includes \$165,714 Escheat Loan³Includes \$58,000 Escheat Loan⁴Includes \$140,960 Escheat Loan

Source: Chief fiscal officer of each authority or institution.

Note: The State has no full faith and credit obligation for the indebtedness shown above. This indebtedness is payable solely from certain revenues, pledged fees and reserves and is not secured by taxes of any kind.

EXHIBIT E

TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM OF NORTH CAROLINA

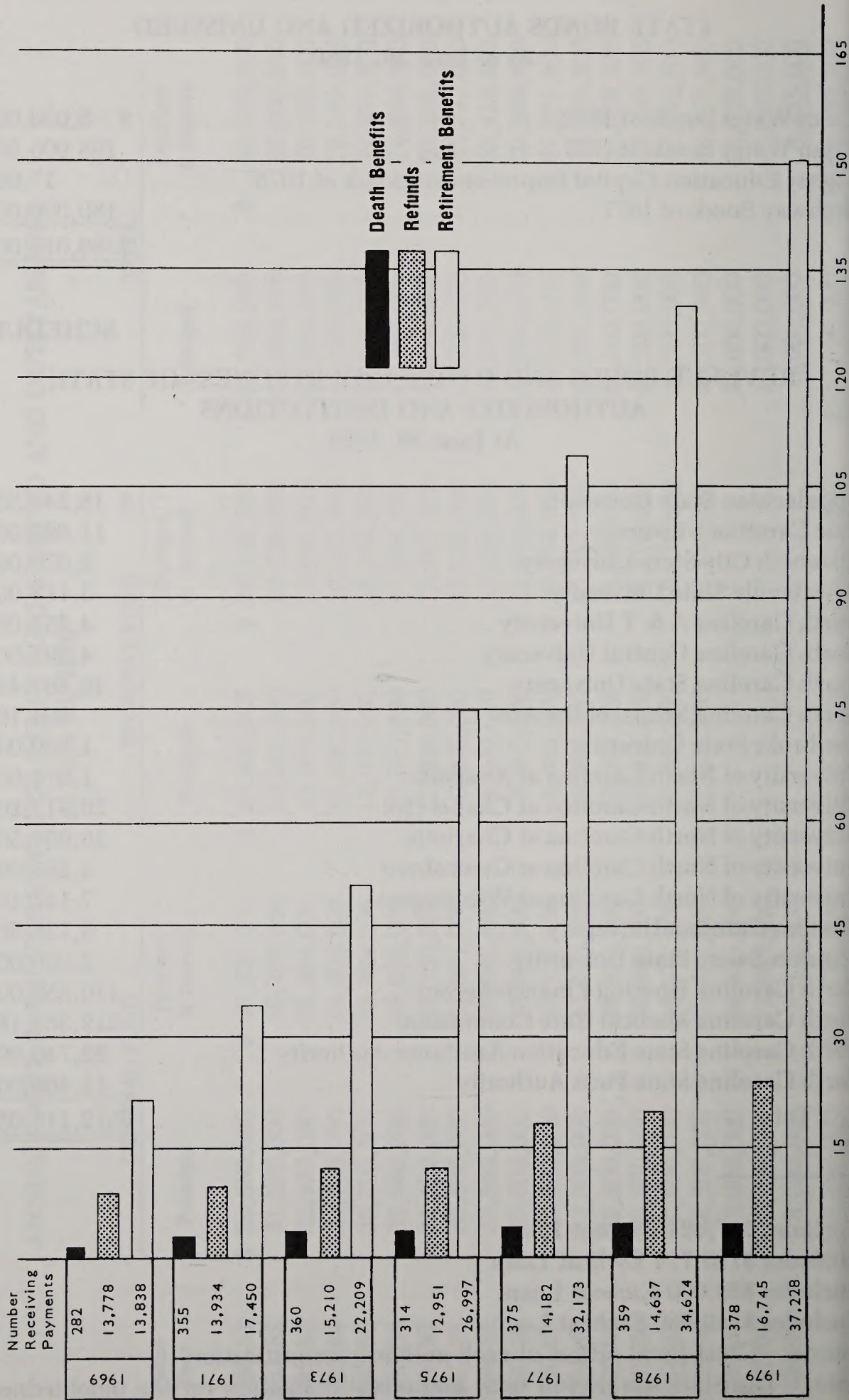


EXHIBIT F

**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1979 and 1978**

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$ 4,399,851	\$ 543,064
Receivables:		
Accounts receivable	31,466,043	30,056,171
Interest receivable	4,873,307	47,665,219
	<u>36,339,350</u>	<u>77,721,390</u>
Investments:		
Long-term Fixed Income Investment Fund - at amortized cost	2,946,820,102	2,494,590,917
Equity Investment Fund - at cost	375,019,969	388,346,788
	<u>3,321,840,071</u>	<u>2,882,937,705</u>
Total assets	<u>\$3,362,579,272</u>	<u>\$2,961,202,159</u>
LIABILITIES AND RESERVE BALANCE		
Current liabilities:		
Accounts payable	\$ 6,027	\$ 8,892
Reserve balances:		
Employee Reserves	1,004,178,273	891,757,531
Annuitant Reserves	1,441,221,832	1,267,062,097
Employer Reserves	917,173,140	802,373,639
Total Reserve balances (net assets)	<u>3,362,573,245</u>	<u>2,961,193,267</u>
Total liabilities and Reserve balances	<u>\$3,362,579,272</u>	<u>\$2,961,202,159</u>

Note: On July 1, 1979 participation began in three investment funds or pools established by the State Treasurer. Cash on deposit with the State Treasurer is invested in the Short-term Fixed Income Investment Fund to the extent of the average daily balance. See page 18 for further information about the investment pools.

**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Employee contributions - regular	\$ 137,279,288	\$125,105,480
Employee contributions - other	1,899,258	1,832,973
Interest credited to members' accounts	34,433,638	30,439,095
Transfers from other systems	746,670	511,940
Total additions	<u>174,358,854</u>	<u>157,889,488</u>
Deductions:		
Refunds to members withdrawing	24,378,893	21,119,411
Transfers to Annuitant Reserve	37,559,219	31,428,088
Total deductions	<u>61,938,112</u>	<u>52,547,499</u>
Net additions to Reserve	112,420,742	105,341,989
Balance of Reserve at January 1	891,757,531	786,415,542
Balance of Reserve at December 31	<u>\$1,004,178,273</u>	<u>\$891,757,531</u>

SCHEDULE F-2

**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
OF NORTH CAROLINA**

STATEMENT OF CHANGES IN ANNUITANT RESERVE

For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Transfers from Employee Reserve	\$ 37,559,076	\$ 31,428,088
Transfers from Employer Reserve	209,608,107	186,544,282
Investment income	81,248,518	71,316,435
Retired members' contributions for military service, etc.	<u>9,954</u>	<u>-0-</u>
Total additions	<u>328,425,655</u>	<u>289,288,805</u>
Deductions:		
Monthly payments to beneficiaries	153,262,663	131,279,525
Other payments to beneficiaries	<u>1,003,257</u>	<u>1,126,593</u>
Total deductions	<u>154,265,920</u>	<u>132,406,118</u>
Net additions to Reserve	174,159,735	156,882,687
Balance of Reserve at January 1	<u>1,267,062,097</u>	<u>1,110,179,410</u>
Balance of Reserve at December 31	<u><u>\$1,441,221,832</u></u>	<u><u>\$1,267,062,097</u></u>

**TEACHERS' AND STATE EMPLOYEES' RETIREMENT SYSTEM
OF NORTH CAROLINA**

STATEMENT OF CHANGES IN EMPLOYER RESERVE

For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Employer contributions - regular	\$208,137,913	\$190,253,602
Employer contributions - other	2,770,492	925,059
Investment income	119,219,125	77,363,950
Other	<u>639,773</u>	<u>163,983</u>
Total additions	<u>330,767,303</u>	<u>268,706,594</u>
Deductions:		
Transfers to Annuitant Reserve	209,608,107	186,544,282
Death benefits payable under G. S. 135-5(1)	4,305,792	4,005,761
Administrative expenses	1,662,243	1,512,938
Other	<u>391,660</u>	<u>465,688</u>
Total deductions	<u>215,967,802</u>	<u>192,528,669</u>
Net additions to Reserve	114,799,501	76,177,925
Balance of Reserve at January 1	<u>802,373,639</u>	<u>726,195,714</u>
Balance of Reserve at December 31	<u><u>\$917,173,140</u></u>	<u><u>\$802,373,639</u></u>

VALUATION BALANCE SHEET
ASSETS AND LIABILITIES OF THE TEACHERS' AND STATE
EMPLOYEES' RETIREMENT SYSTEM OF NORTH CAROLINA
As of December 31, 1979

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$1,004,178,273
Pension Accumulation Fund	<u>2,358,394,972</u>
Total present assets	<u>\$3,362,573,245</u>

Present value of future contributions by members 1,583,903,243

Prospective contributions to the Pension Accumulation Fund:

Normal contributions	1,203,766,607
Accrued liability contributions	<u>1,329,124,107</u>
Total prospective contributions	<u>2,532,890,714</u>
Total assets	<u><u>\$7,479,367,202</u></u>

LIABILITIES

Present value of past and future contributions by members to the Annuity Savings Fund \$2,588,081,516

Present value of benefits payable on account of beneficiaries or their dependents now drawing allowances from the Pension Accumulation Fund 1,441,221,832

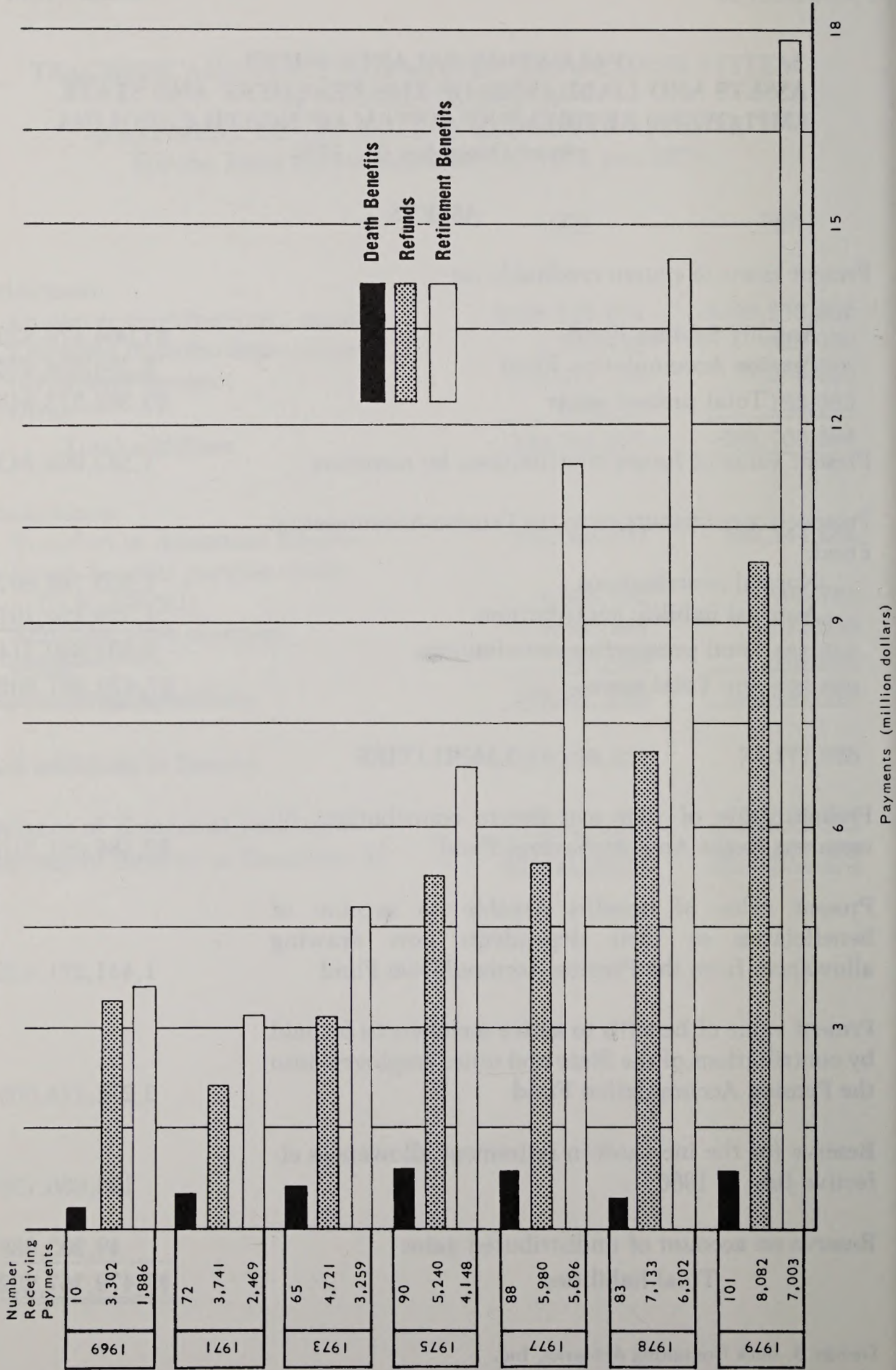
Present value of benefits to active members to be paid by contributions of the State and other employers into the Pension Accumulation Fund 3,272,174,008

Reserve for the increases in retirement allowances effective July 1, 1980 128,686,158

Reserve on account of undistributed gains 49,203,688

Total liabilities \$7,479,367,202

NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM



**NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1979 and 1978**

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$ 2,435,210	\$ 821,536
Receivables:		
Accounts receivable	5,913,979	5,696,105
Interest receivable	734,764	8,265,970
	<u>6,648,743</u>	<u>13,962,075</u>
Investments:		
Long-term Fixed Income Investment Fund - at amortized cost	470,610,313	401,244,757
Equity Investment Fund - at cost	56,568,885	43,146,262
	<u>527,179,198</u>	<u>444,391,019</u>
Total assets	<u>\$536,263,151</u>	<u>\$459,174,630</u>
LIABILITIES AND RESERVE BALANCES		
Current liabilities:		
Accounts payable	\$ 5,958	\$ 1,743
Reserve balances:		
Employee Reserves	166,387,698	141,827,807
Annuitant Reserves	171,736,424	141,938,310
Employer Reserves	198,133,071	175,406,770
Total Reserve balances (net assets)	<u>536,257,193</u>	<u>459,172,887</u>
Total liabilities and Reserve balances	<u>\$536,263,151</u>	<u>\$459,174,630</u>

Note: On July 1, 1979 participation began in three investment funds or pools established by the State Treasurer. Cash on deposit with the State Treasurer is invested in the Short-term Fixed Income Investment Fund to the extent of the average daily balance. See page 18 for further information about the investment pools.

SCHEDULE H-1

**NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM**

STATEMENT OF CHANGES IN EMPLOYEE RESERVE

For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Employer contributions - regular	\$ 32,518,309	\$ 28,689,503
Employer contributions - other	1,696,227	932,085
Interest credited to members' accounts	5,364,581	4,541,116
Transfers from other systems	<u>573,448</u>	<u>441,625</u>
Total additions	<u>40,152,565</u>	<u>34,604,329</u>
Deductions:		
Refunds to members withdrawing	10,098,337	7,438,130
Transfers to Annuitant Reserve	<u>5,494,337</u>	<u>4,835,365</u>
Total deductions	<u>15,592,674</u>	<u>12,273,495</u>
Net additions to Reserve	24,559,891	22,330,834
Balance of Reserve at January 1	<u>141,827,807</u>	<u>119,496,973</u>
Balance of Reserve at December 31	<u><u>\$166,387,698</u></u>	<u><u>\$141,827,807</u></u>

SCHEDULE H-2

NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM
STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Transfers from Employee Reserve	\$ 5,494,337	\$ 4,835,365
Transfers from Employer Reserve	33,051,683	32,608,100
Investment income	9,410,242	7,602,823
Retired members' contributions for military service, etc.	<u>-0-</u>	<u>21,539</u>
Total additions	<u>47,956,262</u>	<u>45,067,827</u>
Deductions:		
Monthly payments to beneficiaries	17,997,495	14,433,271
Other payments to beneficiaries	<u>160,653</u>	<u>185,384</u>
Total deductions	<u>18,158,148</u>	<u>14,618,655</u>
Net additions to Reserve	29,798,114	30,449,172
Balance of Reserve at January 1	<u>141,938,310</u>	<u>111,489,138</u>
Balance of Reserve at December 31	<u><u>\$171,736,424</u></u>	<u><u>\$141,938,310</u></u>

SCHEDULE H-3

**NORTH CAROLINA LOCAL GOVERNMENTAL EMPLOYEES'
RETIREMENT SYSTEM
STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Employer contributions - regular	\$ 32,910,619	\$ 27,785,986
Employer contributions - other	2,022,491	759,271
Investment income	22,325,778	16,546,298
Other	<u>257,526</u>	<u>206,435</u>
Total additions	<u>57,516,414</u>	<u>45,297,990</u>
Deductions:		
Transfers to Annuitant Reserve	33,051,683	32,608,100
Death benefits payable under G. S. 128-27 (1)	1,077,781	752,846
Administrative expenses	428,741	380,240
Other	<u>231,908</u>	<u>270,192</u>
Total deductions	<u>34,790,113</u>	<u>34,011,378</u>
Net additions to Reserve	22,726,301	11,286,612
Balance of Reserve at January 1	<u>175,406,770</u>	<u>164,120,158</u>
Balance of Reserve at December 31	<u><u>\$198,133,071</u></u>	<u><u>\$175,406,770</u></u>

SCHEDULE H-4

VALUATION BALANCE SHEET
ASSETS AND LIABILITIES OF THE NORTH CAROLINA
LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM
As of December 31, 1978

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$ 141,827,807
Pension Accumulation Fund	<u>317,345,080</u>
Total present assets	\$ 459,172,887

Present value of future contributions by members 295,362,532

Prospective contributions by participating employers
to the Pension Accumulation Fund:

Normal contributions	\$ 178,715,060
Accrued liabilities contributions	<u>88,296,531</u>
Total prospective contributions	<u>267,011,591</u>
Total assets	<u><u>\$1,021,547,010</u></u>

LIABILITIES

Present value of benefits on account of past and future
contributions of members to the Annuity Savings Fund \$ 437,190,339

Present value of benefits payable on account of retired
members and beneficiaries now drawing allowances
from the Pension Accumulation Fund 141,938,310

Present value of benefits to active members to be paid
by contributions of the participating employers into
the Pension Accumulation Fund 430,633,394

Reserve held for future increases to retired members
and beneficiaries 6,799,870

Reserve on account of undistributed gains 4,985,097

\$1,021,547,010

EXHIBIT I

**LAW ENFORCEMENT OFFICERS' BENEFIT
AND RETIREMENT FUND
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1978 and June 30, 1978**

	<u>December 31, 1978</u>	<u>June 30, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$ 372,464	\$ 1,065,408
Receivables:		
Accounts receivable	1,120,442	2,858
Interest receivable	3,364,769	3,430,533
	<u>4,485,211</u>	<u>3,433,391</u>
Investments:		
Fixed Income - at amortized cost	172,702,062	160,682,995
Total assets	<u>\$177,559,737</u>	<u>\$165,181,794</u>
LIABILITIES AND RESERVE BALANCE		
Current liabilities:		
Accounts payable	\$ 248,578	\$ 173,144
Unearned income	263,350	446,069
	<u>511,928</u>	<u>619,213</u>
Reserve balances:		
Employee Reserves	75,538,907	69,850,835
Annuitant Reserves	62,884,522	63,285,789
Employer Reserves	35,269,479	28,429,407
Separate Benefit Reserves	3,354,901	2,996,550
Total Reserve balances (net assets)	<u>177,047,809</u>	<u>164,562,581</u>
Total liabilities and Reserve balances	<u>\$177,559,737</u>	<u>\$165,181,794</u>

Note: The statement as of December 31 1978 represents a period of six months due to a change in the accounting year. Effective January 1, 1979 the accounting period was changed to a calendar year ending December 31.

SCHEDULE I-1

**LAW ENFORCEMENT OFFICERS' BENEFIT
AND RETIREMENT FUND**

STATEMENT OF CHANGES IN EMPLOYEE RESERVE

For the Year Ended June 30, 1978 and the Period Ended December 31, 1978

	<u>December 31, 1978</u>	<u>June 30, 1978</u>
Additions:		
Employee contributions - regular	\$ 6,966,571	\$11,682,896
Employee contributions - other	-0-	-0-
Interest credited to members' accounts	1,362,706	2,260,271
Transfers from other systems	<u>-0-</u>	<u>-0-</u>
Total additions	<u>8,329,277</u>	<u>13,943,167</u>
Deductions:		
Refunds to members withdrawing	1,225,649	1,954,957
Transfers to Annuitant Reserve	<u>1,415,556</u>	<u>3,119,807</u>
Total deductions	<u>2,641,205</u>	<u>5,074,764</u>
 Net additions to Reserve	 5,688,072	 8,868,403
 Balance of Reserve at July 1	 <u>69,850,835</u>	 <u>60,982,432</u>
Balance of Reserve at June 30		<u>\$69,850,835</u>
Balance of Reserve at December 31	<u>\$75,538,907</u>	

SCHEDULE I-2

**LAW ENFORCEMENT OFFICERS' BENEFIT
AND RETIREMENT FUND**

STATEMENT OF CHANGES IN ANNUITANT RESERVE

For the Year Ended June 30, 1978 and the Period Ended December 31, 1978

	<u>December 31, 1978</u>	<u>June 30, 1978</u>
Additions:		
Transfers from Employee Reserve	\$ 1,415,556	\$ 3,119,807
Transfers from Employer Reserve	(1,929,574)	8,283,175
Investment income	1,892,555	3,442,102
Retired members' contributions for military service, etc.	<u>-0-</u>	<u>-0-</u>
Total additions	<u>1,378,537</u>	<u>14,845,084</u>
Deductions:		
Monthly payments to beneficiaries	1,766,920	2,995,570
Other payments to beneficiaries	<u>12,884</u>	<u>14,657</u>
Total deductions	<u>1,779,804</u>	<u>3,010,227</u>
Net additions to Reserve	(401,267)	11,834,857
Balance of Reserve at July 1	<u>63,285,789</u>	<u>51,450,932</u>
Balance of Reserve at June 30		<u>\$63,285,789</u>
Balance of Reserve at December 31	<u>\$62,884,522</u>	

SCHEDULE I-3

**LAW ENFORCEMENT OFFICERS' BENEFIT
AND RETIREMENT FUND
STATEMENT OF CHANGES IN EMPLOYER RESERVE**

For the Year Ended June 30, 1978 and the Period Ended December 31, 1978

	<u>December 31, 1978</u>	<u>June 30, 1978</u>
Additions:		
Employer contributions - regular	\$ 1,844,744	\$ 4,149,914
Employer contributions - other	-0-	-0-
Investment income	3,116,919	5,378,693
Other	<u>9,125</u>	<u>-0-</u>
Total additions	<u>4,970,788</u>	<u>9,528,607</u>
Deductions:		
Transfers to Annuitant Reserve	(1,929,574)	8,283,175
Administrative expenses	60,290	104,555
Other	<u>-0-</u>	<u>-0-</u>
Total deductions	<u>(1,869,284)</u>	<u>8,387,730</u>
 Net additions to Reserve	 6,840,072	 1,140,877
 Balance of Reserve at July 1	 <u>28,429,407</u>	 <u>27,288,530</u>
Balance of Reserve at June 30		<u>\$28,429,407</u>
Balance of Reserve at December 31	<u>\$35,269,479</u>	

SCHEDULE I-4

**LAW ENFORCEMENT OFFICERS' BENEFIT
AND RETIREMENT FUND**

STATEMENT OF CHANGES IN SEPARATE BENEFIT RESERVES

For the Year Ended June 30, 1978 and the Period Ended December 31, 1978

	<u>December 31, 1978</u>	<u>June 30, 1978</u>
Additions:		
Court costs received	\$ 445,365	\$ 801,388
Insurance dividends	41,584	68,979
Investment income	<u>114,813</u>	<u>204,022</u>
Total additions	<u>601,702</u>	<u>1,074,389</u>
 Deductions:		
Administrative expenses	20,096	34,838
Death benefits paid	81,000	237,000
Insurance premiums	<u>142,255</u>	<u>353,264</u>
Total deductions	<u>243,351</u>	<u>625,102</u>
 Net additions to Reserve	358,351	449,287
 Balance of Reserve at July 1	<u>2,996,550</u>	<u>2,547,263</u>
Balance of Reserve at June 30		<u><u>\$2,996,550</u></u>
Balance of Reserve at December 31	<u><u>\$3,354,901</u></u>	

VALUATION BALANCE SHEET
ASSETS AND LIABILITIES OF THE LAW ENFORCEMENT
OFFICERS' BENEFIT AND RETIREMENT FUND
As of December 31, 1978

ASSETS

Present assets of system creditable to:

Regular Contribution Account	\$ 41,596,182
Special Contribution Account	33,942,725
Accumulation Account	98,154,001
Separate Benefit Fund - Death Benefit Fund	1,550,914
Separate Benefit Fund - Insurance Fund	<u>1,803,987</u>
Total present assets of fund	<u>\$177,047,809</u>

Present value of future contributions by members to
Regular Contribution Account

77,206,861

Present value of future contributions to the Accumulation Account:

Normal contributions	\$ 49,026,364
Accrued liability contributions	<u>21,803,212</u>
Total prospective contributions	<u>70,829,576</u>

Present value of future contributions to the Separate
Benefit Fund on account of death after retirement
benefits

2,640,347

Total present and prospective assets

\$327,724,593

LIABILITIES

Present value of benefits provided by members' past
and future contributions to the Regular Contribution
Account

\$118,803,043

Present value of benefits provided by members' and
employers' contributions that have been accumulated
to date in the Special Contribution Account

33,942,725

Present value of retirement allowances payable from
the Accumulation Account to retired members and
beneficiaries

35,384,544

Present value of death after retirement benefits
payable from the Separate Benefit Fund - Death
Benefit Fund

4,191,261

Reserve available in the Separate Benefit Fund - In-
surance Fund

1,803,987

Present value of benefits to be paid by past and future
contributions in to the Accumulation Account on ac-
count of active members

133,599,033

Total liabilities

\$327,724,593

LAW ENFORCEMENT OFFICERS' BENEFIT AND RETIREMENT FUND

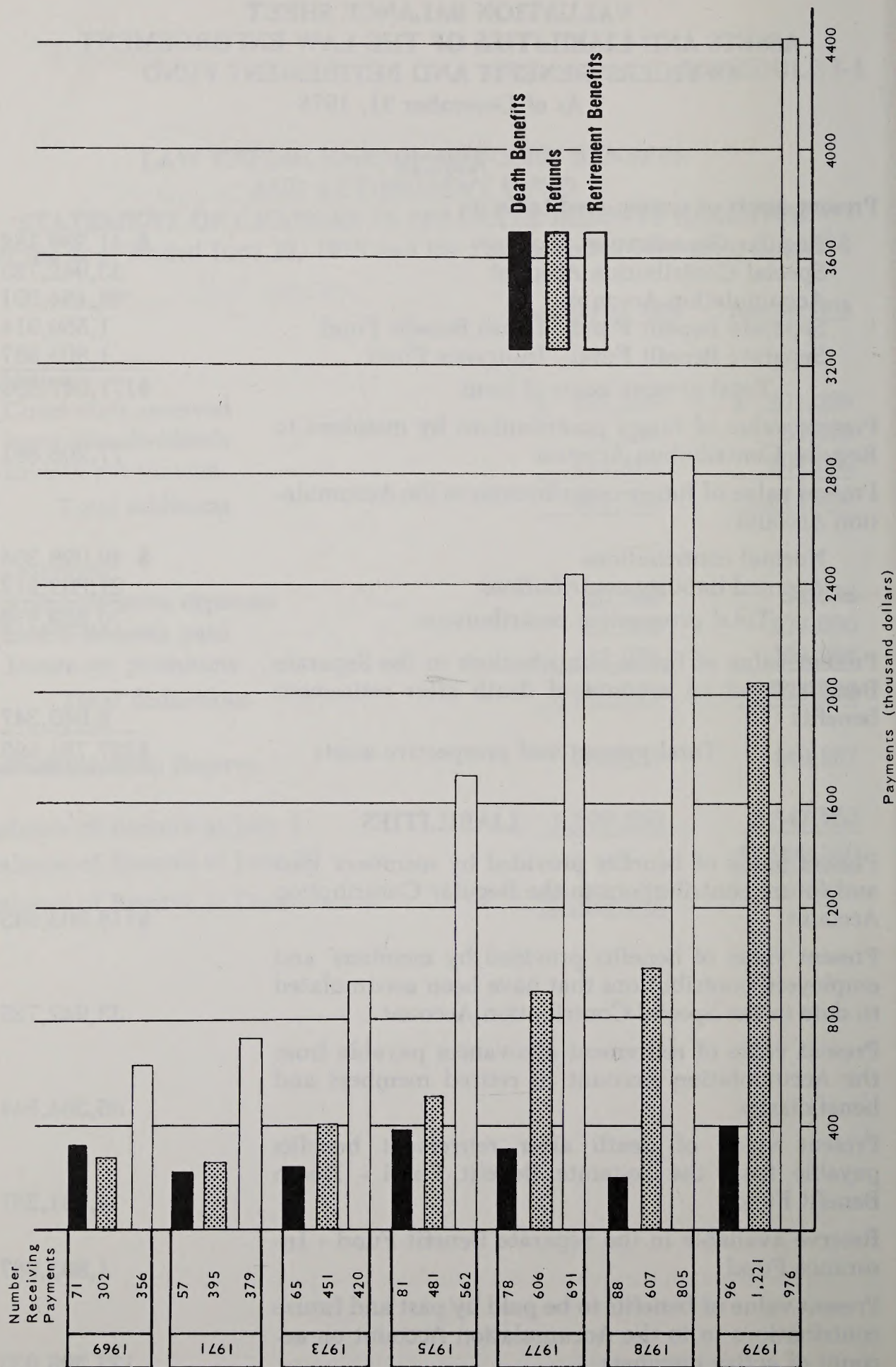


EXHIBIT K

**UNIFORM JUDICIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1979 and 1978**

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$ 464,789	\$ 38,505
Receivables:		
Accounts receivable	250,581	229,698
Interest receivable	18,978	119,659
	<u>269,559</u>	<u>349,357</u>
Investments:		
Long-term Fixed Income Investment Fund - at amortized cost	8,378,289	7,667,066
Equity Investment Fund - at cost	1,300,000	-0-
	<u>9,678,289</u>	<u>7,667,066</u>
Total assets	<u>\$10,412,637</u>	<u>\$8,054,928</u>
LIABILITIES AND RESERVE BALANCES		
Reserve balances:		
Employee Reserves	\$ 2,437,800	\$2,074,051
Annuitant Reserves	10,304,559	8,364,823
Employer Reserves	<u>(2,329,722)</u>	<u>(2,383,946)</u>
Total Reserve balances (net assets)	<u>10,412,637</u>	<u>8,054,928</u>
Total liabilities and Reserves	<u>\$10,412,637</u>	<u>\$8,054,928</u>

Note: On July 1, 1979 participation began in three investment funds or pools established by the State Treasurer. Cash on deposit with the State Treasurer is invested in the Short-term Fixed Income Investment Fund to the extent of the average daily balance. See page 18 for further information about the investment pools.

SCHEDULE K-1

**UNIFORM JUDICIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Employee contributions - regular	\$ 470,596	\$ 429,167
Employee contributions - other	21,269	43,824
Interest credited to members' accounts	76,850	63,139
Transfers from other systems	-0-	24,378
Total additions	<u>568,715</u>	<u>560,508</u>
Deductions:		
Refunds to members withdrawing	20,211	16,595
Transfers to Annuitant Reserve	<u>184,755</u>	<u>72,979</u>
Total deductions	<u>204,966</u>	<u>89,574</u>
Net additions to Reserve	363,749	470,934
Balance of Reserve at January 1	<u>2,074,051</u>	<u>1,603,117</u>
Balance of Reserve at December 31	<u><u>\$2,437,800</u></u>	<u><u>\$2,074,051</u></u>

SCHEDULE K-2

**UNIFORM JUDICIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Transfers from Employee Reserve	\$ 184,755	\$ 72,979
Transfers from Employer Reserve	2,468,827	1,319,618
Investment income	466,735	389,178
Retired members' contributions for military service, etc.	<u>-0-</u>	<u>-0-</u>
Total additions	<u>3,120,317</u>	<u>1,781,775</u>
Deductions:		
Monthly payments to beneficiaries	1,180,581	929,143
Other payments to beneficiaries	<u>-0-</u>	<u>-0-</u>
Total deductions	<u>1,180,581</u>	<u>929,143</u>
Net additions to Reserve	1,939,736	852,632
Balance of Reserve at January 1	<u>8,364,823</u>	<u>7,512,191</u>
Balance of Reserve at December 31	<u><u>\$10,304,559</u></u>	<u><u>\$8,364,823</u></u>

SCHEDULE K-3

**UNIFORM JUDICIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Employer contributions - regular	\$2,380,433	\$2,171,268
Employer contributions - other	18,053	34,000
Investment income	194,539	24,722
Other	75	150
Total additions	<u>2,593,100</u>	<u>2,230,140</u>
Deductions:		
Transfers to Annuitant Reserve	2,468,827	1,319,618
Death benefits payable under G. S. 135-63	65,600	28,372
Administrative expenses	4,041	3,502
Other	408	-0-
Total deductions	<u>2,538,876</u>	<u>1,351,492</u>
Net addition to Reserve	54,224	878,648
Balance of Reserve at January 1	<u>(2,383,946)</u>	<u>(3,262,594)</u>
Balance of Reserve at December 31	<u><u>\$(2,329,722)</u></u>	<u><u>\$(2,383,946)</u></u>

**VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE
NORTH CAROLINA UNIFORM JUDICIAL RETIREMENT SYSTEM
As of December 31, 1979**

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$ 2,437,800
Pension Accumulation Fund	<u>7,974,837</u>
Total present assets	\$10,412,637

Present value of future contributions by members 6,214,721

Present value of prospective contributions by the State
to the Pension Accumulation Fund:

Normal contributions	\$16,147,919
Accrued liabilities contributions	<u>19,621,646</u>
Total prospective contributions	<u>35,769,565</u>
Total assets	<u><u>\$52,396,923</u></u>

LIABILITIES

Present value of past and future contributions by
members to the Annuity Savings Fund \$ 8,652,521

Present value of benefits payable on account of
beneficiaries or their dependents now drawing
allowances from the Pension Accumulation Fund 10,304,559

Present value of benefits to or on account of active
members to be paid by contributions of the State into
the Pension Accumulation Fund 31,129,237

Reserve for increases in retirement allowances effective
July 1, 1980 960,004

Reserve for undistributed gains 1,350,602

Total liabilities \$52,396,923

EXHIBIT L

**UNIFORM SOLICITORIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1979 and 1978**

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$ 196,550	\$ 4,172
Receivables:		
Accounts receivable	31,509	31,378
Interest receivable	<u>3,623</u>	<u>29,096</u>
	<u>35,132</u>	<u>60,474</u>
Investments:		
Long-term Fixed Income Investment Fund - at amortized cost	1,251,677	1,186,298
Equity Investment Fund - at cost	<u>200,000</u>	<u>-0-</u>
	<u>1,451,677</u>	<u>1,186,298</u>
Total assets	<u>\$1,683,359</u>	<u>\$1,250,944</u>

LIABILITIES AND RESERVE BALANCES

Reserve balances:		
Employee Reserves	\$ 477,620	\$ 418,296
Annuitant Reserves	798,060	614,400
Employer Reserves	<u>407,679</u>	<u>218,248</u>
Total Reserve balances (net assets)	<u>1,683,359</u>	<u>1,250,944</u>
Total liabilities and Reserve balances	<u>\$1,683,359</u>	<u>\$1,250,944</u>

Note: On July 1, 1979 participation began in three investment funds or pools established by the State Treasurer. Cash on deposit with the State Treasurer is invested in the Short-term Fixed Income Investment Fund to the extent of the average daily balance. See page 18 for further information about the investment pools.

SCHEDULE L-1

**UNIFORM SOLICITORIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN EMPLOYEE RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Employee contributions - regular	\$ 74,589	\$ 66,528
Employee contributions - other	-0-	3
Interest credited to members' accounts	15,729	13,735
Transfers from other systems	<u>-0-</u>	<u>-0-</u>
Total additions	<u>90,318</u>	<u>80,266</u>
Deductions:		
Refunds to members withdrawing	7,829	10,744
Transfers to Annuitant Reserve	<u>23,165</u>	<u>-0-</u>
Total deductions	<u>30,994</u>	<u>10,744</u>
Net additions to Reserve	59,324	69,522
Balance of Reserve at January 1	<u>418,296</u>	<u>348,774</u>
Balance of Reserve at December 31	<u><u>\$477,620</u></u>	<u><u>\$418,296</u></u>

SCHEDULE L-2

**UNIFORM SOLICITORIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN ANNUITANT RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Transfers from Employee Reserve	\$ 23,165	\$ -0-
Transfers from Employer Reserve	196,986	30,406
Investment income	35,312	30,520
Retired members' contributions for Military service, etc.	<u>-0-</u>	<u>-0-</u>
Total additions	<u>255,463</u>	<u>60,926</u>
Deductions:		
Monthly payments to beneficiaries	71,803	52,922
Other payments to beneficiaries	<u>-0-</u>	<u>-0-</u>
Total deductions	<u>71,803</u>	<u>52,922</u>
 Net additions to Reserve	 183,660	 8,004
 Balance of Reserve at January 1	 <u>614,400</u>	 <u>606,396</u>
Balance of Reserve at December 31	<u>\$798,060</u>	<u>\$614,400</u>

SCHEDULE L-3

**UNIFORM SOLICITORIAL RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Employer contributions - regular	\$294,501	\$262,670
Employer contributions - other	31,801	24,256
Investment income	61,142	26,668
Other	<u>-0-</u>	<u>-0-</u>
Total additions	<u>387,444</u>	<u>313,594</u>
Deductions:		
Transfers to Annuitant Reserve	196,986	30,406
Death benefits payable under G. S. 135-63	-0-	-0-
Administrative expenses	1,027	956
Other	<u>-0-</u>	<u>-0-</u>
Total deductions	<u>198,013</u>	<u>31,362</u>
Net addition to Reserve	189,431	282,232
Balance of Reserve at January 1	<u>218,248</u>	<u>(63,984)</u>
Balance of Reserve at December 31	<u><u>\$407,679</u></u>	<u><u>\$218,248</u></u>

**VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE
NORTH CAROLINA UNIFORM SOLICITORIAL RETIREMENT SYSTEM
As of December 31, 1979**

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$ 477,620
Pension Accumulation Fund	<u>1,205,740</u>
Total present assets	<u>\$1,683,360</u>

Present value of future contributions by members 1,123,317

Present value of prospective contributions by the State to
the Pension Accumulation Fund:

Normal contributions	\$2,647,277
Accrued liability contributions	<u>1,909,935</u>
Total prospective contributions	<u>4,557,212</u>
Total assets	<u><u>\$7,363,889</u></u>

LIABILITIES

Present value of past and future contributions by
members to the Annuity Savings Fund \$1,600,937

Present value of benefits payable on account of
beneficiaries or their dependents now drawing
allowances from the Pension Accumulation Fund 798,060

Present value of benefits to or on account of active
members to be paid by contributions of the State into the
Pension Accumulation Fund 4,678,099

Reserve for 10% increase in retirement allowances effective
July 1, 1980 79,806

Reserve for undistributed gains 206,987

Total liabilities \$7,363,889

**UNIFORM CLERKS OF SUPERIOR COURT RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1979 and 1978**

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$ 251,442	\$ 8,626
Receivables:		
Accounts receivable	58,991	54,198
Interest receivable	<u>6,559</u>	<u>48,652</u>
	<u>65,550</u>	<u>102,850</u>
Investments:		
Long-term Fixed Income Investment Fund - at amortized cost	2,547,153	2,405,910
Equity Investment Fund - at cost	<u>400,000</u>	<u>-0-</u>
	<u>2,947,153</u>	<u>2,405,910</u>
Total assets	<u>\$3,264,145</u>	<u>\$2,517,386</u>

LIABILITIES AND RESERVE BALANCES

Reserve balances:		
Employee Reserves	\$ 842,342	\$ 779,140
Annuitant Reserves	2,394,187	1,815,565
Employer Reserves	<u>27,616</u>	<u>(77,319)</u>
Total Reserve balances (net assets)	<u>3,264,145</u>	<u>2,517,386</u>
Total liabilities and Reserve balances	<u>\$3,264,145</u>	<u>\$2,517,386</u>

Note: On July 1, 1979 participation began in three investment funds or pools established by the State Treasurer. Cash on deposit with the State Treasurer is invested in the Short-term Fixed Income Investment Fund to the extent of the average daily balance. See page 18 for further information about the investment pools.

SCHEDULE M-1

**UNIFORM CLERKS OF SUPERIOR COURT RETIREMENT SYSTEM
OF NORTH CAROLINA**

STATEMENT OF CHANGES IN EMPLOYEE RESERVE

For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Employee contributions - regular	\$120,897	\$112,088
Employee contributions - other	13,670	4,684
Interest credited to members' accounts	27,222	27,773
Transfers from other systems	<u>-0-</u>	<u>-0-</u>
Total additions	<u>161,789</u>	<u>144,545</u>
Deductions:		
Refunds to members withdrawing	-0-	4,024
Transfers to Annuitant Reserve	<u>98,587</u>	<u>71,484</u>
Total deductions	<u>98,587</u>	<u>75,508</u>
Net additions to Reserve	63,202	69,037
Balance of Reserve at January 1	<u>779,140</u>	<u>710,103</u>
Balance of Reserve at December 31	<u><u>\$842,342</u></u>	<u><u>\$779,140</u></u>

SCHEDULE M-2

**UNIFORM CLERKS OF SUPERIOR COURT RETIREMENT SYSTEM
OF NORTH CAROLINA**

STATEMENT OF CHANGES IN ANNUITANT RESERVE

For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Transfers from Employee Reserve	\$ 98,588	\$ 71,484
Transfers from Employer Reserve	601,107	970,153
Investment income	105,244	65,516
Retired members' contributions for military service, etc.	<u>-0-</u>	<u>-0-</u>
Total additions	<u>804,939</u>	<u>1,107,153</u>
Deductions:		
Monthly payments to beneficiaries	226,317	93,549
Other payments to beneficiaries	<u>-0-</u>	<u>3,107</u>
Total deductions	<u>226,317</u>	<u>96,656</u>
Net additions to Reserve	578,622	1,010,497
Balance of Reserve at January 1	<u>1,815,565</u>	<u>805,068</u>
Balance of Reserve at December 31	<u><u>\$2,394,187</u></u>	<u><u>\$1,815,565</u></u>

SCHEDULE M-3

**UNIFORM CLERKS OF SUPERIOR COURT RETIREMENT SYSTEM
OF NORTH CAROLINA
STATEMENT OF CHANGES IN EMPLOYER RESERVE
For the Years Ended December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Employer contributions - regular	\$563,337	\$515,603
Employer contributions - other	48,945	122,260
Investment income	95,433	48,782
Other	<u>100</u>	<u>50</u>
Total additions	<u>707,815</u>	<u>686,695</u>
Deductions:		
Transfers to Annuitant Reserve	601,107	970,153
Death benefits payable under G. S. 135-63	-0-	20,244
Administrative expenses	1,773	1,529
Other	<u>-0-</u>	<u>-0-</u>
Total deductions	<u>602,880</u>	<u>991,926</u>
Net addition to Reserve	104,935	(305,231)
Balance of Reserve at January 1	<u>(77,319)</u>	<u>227,912</u>
Balance of Reserve at December 31	<u>\$ 27,616</u>	<u>\$ (77,319)</u>

**VALUATION BALANCE SHEET
SHOWING THE ASSETS AND LIABILITIES OF THE
NORTH CAROLINA UNIFORM CLERKS OF SUPERIOR COURT
RETIREMENT SYSTEM
As of December 31, 1979**

ASSETS

Present assets of system creditable to:

Annuity Savings Fund	\$ 842,342
Pension Accumulation Fund	<u>2,421,803</u>
Total present assets	\$ 3,264,145

Present value of future contributions by members 1,480,685

Present value of prospective contributions by the State
to the Pension Accumulation Fund:

Normal contributions	\$ 3,837,445
Accrued liability contributions	<u>4,406,087</u>
Total prospective contributions	<u>8,243,532</u>
Total assets	<u><u>\$12,988,362</u></u>

LIABILITIES

Present value of past and future contributions by
members to the Annuity Savings Fund \$ 2,323,027

Present value of benefits payable on account of
beneficiaries or their dependents now drawing
allowances from the Pension Accumulation Fund 2,394,187

Present value of benefits to or on account of active
members to be paid by contributions of the State into
the Pension Accumulation Fund 8,031,729

Reserve for 10% increase in retirement allowances ef-
fective July 1, 1980 239,419

Total liabilities \$12,988,362

**NORTH CAROLINA LEGISLATIVE RETIREMENT FUND
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1979 and 1978**

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$44,750	\$45,212
Total assets	<u>\$44,750</u>	<u>\$45,212</u>
LIABILITIES, RESERVE AND FUND BALANCE		
Liabilities	\$ -0-	\$ -0-
Reserve for contributions	44,649	43,991
Fund balance	<u>101</u>	<u>1,221</u>
Total liabilities, Reserve and fund balance	<u>\$44,750</u>	<u>\$45,212</u>

SCHEDULE N-1

**NORTH CAROLINA LEGISLATIVE RETIREMENT FUND
STATEMENT OF CHANGES IN THE FUND BALANCE
As of December 31, 1979 and 1978**

	<u>1979</u>	<u>1978</u>
Additions:		
Reimbursement from Legislative Services		
Commission	\$ 99,072	\$ 99,846
Transfers from Reserve for contributions	<u>225</u>	<u>1,546</u>
Total additions	<u>99,297</u>	<u>101,392</u>
Deductions:		
Monthly payments to beneficiaries	98,100	98,400
Transfers to Reserve for contributions for interest earned	1,717	1,713
Administrative expenses	<u>600</u>	<u>600</u>
Total deductions	<u>100,417</u>	<u>100,713</u>
Net additions to fund balance	(1,120)	679
Fund balance at January 1	<u>1,221</u>	<u>542</u>
Fund balance at December 31	<u>\$ 101</u>	<u>\$ 1,221</u>

EXHIBIT O

NORTH CAROLINA EMPLOYEE DISABILITY FUND
STATEMENT OF ASSETS, LIABILITIES AND RESERVE BALANCES
As of December 31, 1979 and 1978

	<u>December 31, 1979</u>	<u>December 31, 1978</u>
ASSETS		
Cash on deposit with State Treasurer	\$ <u>3,124,121</u>	\$ <u>2,457</u>
Investments:		
Long-term Fixed Income Investment Fund - at amortized cost	11,724,818	15,233,136
Equity Investment Fund - at cost	<u>-0-</u>	<u>-0-</u>
	<u>11,724,818</u>	<u>15,233,136</u>
Receivables:		
Accrued interest receivable	25,563	304,300
Due from beneficiaries for overpayment	<u>101,634</u>	<u>74,781</u>
	<u>127,197</u>	<u>379,081</u>
Total assets	<u>\$14,976,136</u>	<u>\$15,614,674</u>
LIABILITIES AND RESERVE BALANCES		
Current liabilities:		
Accounts payable	\$ -0-	\$ -0-
Reserve balances:		
Annuitant Reserves	10,713,067	8,892,707
Employer Reserves	<u>4,263,069</u>	<u>6,721,967</u>
Total Reserve balances (net assets)	<u>14,976,136</u>	<u>15,614,674</u>
Total liabilities and Reserves	<u>\$14,976,136</u>	<u>\$15,614,674</u>

Note: On July 1, 1979 participation began in three investment funds or pools established by the State Treasurer. Cash on deposit with the State Treasurer is invested in the Short-term Fixed Income Investment Fund to the extent of the average daily balance. See page 18 for further information about the investment pools.

SCHEDULE O-1

NORTH CAROLINA EMPLOYEE DISABILITY FUND
STATEMENT OF CHANGES IN THE ANNUITANT RESERVE
For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Employer contributions	\$ -0-	\$ -0-
Investment income	588,173	514,182
Transfer from Employer Reserve	<u>3,053,461</u>	<u>1,778,913</u>
Total additions	<u>3,641,634</u>	<u>2,293,095</u>
Deductions:		
Benefit payments	<u>1,821,274</u>	<u>1,647,096</u>
Total deductions	<u>1,821,274</u>	<u>1,647,096</u>
Net additions to Reserve	1,820,360	645,999
Balance of Reserve at January 1	<u>8,892,707</u>	<u>8,246,708</u>
Balance of Reserve at December 31	<u><u>\$10,713,067</u></u>	<u><u>\$8,892,707</u></u>

SCHEDULE O-2

NORTH CAROLINA EMPLOYEE DISABILITY FUND
STATEMENT OF CHANGES IN THE EMPLOYER RESERVE
For the Years Ended December 31, 1979 and 1978

	<u>1979</u>	<u>1978</u>
Additions:		
Investment income	\$ 594,563	\$ 691,621
Total additions	<u>594,563</u>	<u>691,621</u>
Deductions:		
Transfer to Annuitant Reserve	<u>3,053,461</u>	<u>1,778,913</u>
Total deductions	<u>3,053,461</u>	<u>1,778,913</u>
Net additions to Reserve	(2,458,898)	(1,087,292)
Balance of Reserve at January 1	<u>6,721,967</u>	<u>7,809,259</u>
Balance of Reserve at December 31	<u><u>\$4,263,069</u></u>	<u><u>\$6,721,967</u></u>

SCHEDULE O-3

**VALUATION BALANCE SHEET
ASSETS AND LIABILITIES OF THE
DISABILITY SALARY CONTINUATION PLAN
As of December 31, 1979**

ASSETS

Present assets	\$14,976,136
Present value of prospective contributions	<u>-0-</u>
Total assets	<u><u>\$14,976,136</u></u>

LIABILITIES

Present value of reported and approved claim liabilities	\$ 4,799,515
Present value of pending claim liabilities	5,072,508
Present value of incurred but unreported claim liabilities	<u>841,044</u>
Total claim liabilities	\$10,713,067
Reserve against future employer contributions	<u>4,263,069</u>
Total liabilities	<u><u>\$14,976,136</u></u>

George B. Buck Consulting Actuaries, Inc.

**NORTH CAROLINA PUBLIC EMPLOYEES' SOCIAL SECURITY AGENCY
STATEMENT OF ASSETS AND LIABILITIES**

As of December 31, 1979

ASSETS

Cash on deposit with State Treasurer	\$ 40,658,670
Total assets	<u>\$ 40,658,670</u>

LIABILITIES

Advance payments by State agencies	\$ 40,635,551
Advance payments by cities and counties	4,620
Due to units for small balance adjustments	<u>18,499</u>
Total liabilities	<u>\$ 40,658,670</u>

SCHEDULE P-1

STATEMENT OF RECEIPTS AND EXPENDITURES

For the Year Ended December 31, 1979

Additions:

Contributions deducted from payroll and employer matching	<u>\$401,060,389</u>
Total additions	<u>\$401,060,389</u>

Deductions:

Payments to United States Treasurer	393,933,164
Refunds to member units	<u>44,028</u>
Total deductions	<u>393,977,192</u>

Net additions	7,083,197
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Cash on deposit with State Treasurer at January 1	<u>33,575,473</u>
Cash on deposit with State Treasurer at December 31	<u>\$ 40,658,670</u>

**STATE OF NORTH CAROLINA
SHORT-TERM FIXED INCOME
INVESTMENT FUND
BALANCE SHEET**

June 30, 1980

ASSETS

Agency and institution collection accounts	\$ 15,733,504.83
Treasurer's bank clearing accounts	26,191,274.92
Accrued interest receivable	39,886,217.27
Investments at Book Value	1,494,550,056.40
Difference account	-0-
Clearings in process	9,272,431.74
Certifications in transit	(1,183.72)
	<u>\$1,585,632,301.44</u>

FUND CASH BALANCES

Disbursing accounts	\$ 215,219,844.17
Institutional Trust Fund accounts	38,654,555.51
General Fund ✓	478,521,245.36
Special Funds ✓	250,746,423.32
Highway Funds ✓	165,646,711.42
Capital Improvement Funds	283,503,154.71
Direct deposits with State Treasurer	50,355,516.95
Long-term Fixed Income Investment Fund ✓	19,930,356.91
Equity Investment Fund ✓	68,630,355.87
Undistributed Income, Short-term Fixed Income Investment Fund	14,424,137.22
	<u>\$1,585,632,301.44</u>

SCHEDULE Q-1

**DEPARTMENT OF STATE TREASURER
TREASURER'S CLEARING ACCOUNTS
June 30, 1980**

Raleigh, Bank of North Carolina, N.A.	\$ 483,789.73
Raleigh, Branch Banking & Trust Co.	1,297,157.20
Raleigh, Central Carolina Bank & Trust Co.	1,006,639.03
Raleigh, First-Citizens Bank & Trust Co.	5,501,330.95
Raleigh, First Union National Bank of N.C.	3,988,520.73
Raleigh, North Carolina National Bank	7,856,727.25
Unemployment Benefit Account	634,553.86
Unemployment Clearing Account	94,546.35
Raleigh, The Planters National Bank & Trust Co.	493,290.04
Raleigh, Southern National Bank of N.C.	859,810.94
Raleigh, United Carolina - Whiteville	990,123.41
Raleigh, Wachovia Bank & Trust Co., N.A.	2,984,785.43
	<u>\$26,191,274.92</u>

AGENCY, DEPARTMENT AND INSTITUTION COLLECTION ACCOUNTS AND TIME DEPOSITS

June 30, 1980

	<u>COLLECTION ACCOUNTS</u>	<u>TIME DEPOSITS</u>
Aberdeen, The Carolina Bank	\$ 1,805.41	\$
Aberdeen, First Security Savings & Loan Assoc.		100,000.00
Ahoskie, Tarheel Bank & Trust Co.	1,681.67	
Ahoskie, The Planters National Bank & Trust Co.	1,991.48	
Ahoskie, Wachovia Bank & Trust Co., N.A.	2,451.76	
Albemarle, Cabarrus Bank & Trust Co.	2,383.24	
Albemarle, N.C. Federal Savings & Loan Assoc.		100,000.00
Albemarle, The First National Bank of Albemarle	1,259.05	1,200,000.00
Ansonville, United Carolina Bank - Monroe	1,596.76	
Asheboro, The First National Bank of Randolph Co.	2,559.21	
Asheboro, First Peoples Savings & Loan Assoc.		100,000.00
Asheboro, The Planters National Bank & Trust Co.	3,454.66	
Asheboro, Wachovia Bank & Trust Co., N.A.	2,488.36	
Asheville, First Union National Bank of N.C.	1,954.11	
Asheville, North Carolina National Bank	1,725.80	
Banner Elk, North Carolina National Bank		100,000.00
Bath, Southern Bank & Trust Co.	1,749.75	
Bayboro, Wachovia Bank & Trust Co., N.A.	1,116.86	
Beaufort, First-Citizens Bank & Trust Co.	1,192.96	
Belhaven, Southern Bank & Trust Co.		800,000.00
Belmont, The Bank of Belmont		1,265,000.00
Bliscoe, The Fidelity Bank		141,000.00
Black Mountain, North Carolina National Bank	1,667.69	
Black Mountain, The Northwestern Bank	2,140.38	
Bolivia, United Carolina Bank - Whiteville	1,047.36	

Boone, Bank of North Carolina, N.A.	2,076.68	
Boone, The Northwestern Bank	1,527.69	
Boone, Watauga Savings & Loan Assoc.		100,000.00
Brevard, First Union National Bank of N.C.	2,048.13	
Brevard, Brevard Savings & Loan Assoc.		100,000.00
Burlington, Bank of North Carolina, N.A.	2,814.31	
Burlington, Burlington National Bank		300,000.00
Burlington, Community Federal Savings & Loan Assoc.		100,000.00
Burlington, The Morris Plan Industrial Bank		250,000.00
Burlington, The Northwestern Bank		100,000.00
Burlington, Wachovia Bank & Trust Co., N.A.	1,289.88	
Burnsville, The Northwestern Bank	1,301.67	
Butner, Central Carolina Bank & Trust Co.	1,569.67	
Candor, The Bank of Candor	993.95	100,000.00
Canton, First-Citizens Bank & Trust Co.	2,267.34	
Canton, First Union National Bank of N.C.	1,437.86	
Carolina Beach, Bank of North Carolina, N.A.	2,667.89	
Carthage, Citizens Savings & Loan Assoc.		100,000.00
Cary, Branch Banking Trust Co.	687.71	
Cary, The Carolina Bank	2,092.83	
Catawba, Peoples Bank		1,190,000.00
Chapel Hill, Central Carolina Bank & Trust Co.	2,536.83	
Chapel Hill, First-Citizens Bank & Trust Co.	1,471.95	
Chapel Hill, North Carolina National Bank	2,207.86	
Charlotte, First Union National Bank of N.C.		65,000,000.00
Charlotte, Home Federal Savings & Loan Assoc.		100,000.00
Charlotte, Metrolina National Bank		890,000.00
Charlotte, North Carolina National Bank	2,211.73	
Charlotte, Perpetual Savings & Loan Assoc.		100,000.00
Charlotte, Southeastern Savings & Loan Assoc.		500,000.00
Charlotte, Wachovia Bank & Trust Co., N.A.	1,210.21	
Clayton, First-Citizens Bank & Trust Co.	1,562.44	
Clinton, First-Citizens Bank & Trust Co.	2,209.41	
Columbus, North Carolina National Bank	1,803.47	
Concord, Citizens National Bank	2,066.91	

Concord, Citizens Savings & Loan
 Concord, Concord Kannapolis Federal Savings & Loan
 Concord, First Union National Bank of N.C.
 Concord, The Concord National Bank
 Conover, First Federal Savings & Loan Assoc. of Catawba Co.
 Cornelius, First Union National Bank of N.C.
 Creswell, The East Carolina Bank
 Danbury, The Northwestern Bank
 Dobson, The Northwestern Bank
 Dobson, Peoples Bank
 Dunn, First-Citizens Bank & Trust Co.
 Dunn, Home Savings & Loan Assoc. of Dunn
 Dunn, United Carolina Bank - Whiteville
 Durham, Central Carolina Bank & Trust Co.
 Durham, Mechanics & Farmers Bank
 Durham, Wachovia Bank & Trust Co., N.A.
 Eden, North Carolina National Bank
 Eden, Southern National Bank of North Carolina
 Eden, The Northwestern Bank
 Edenton, Peoples Bank & Trust Co.
 Elizabeth City, Albemarle Savings & Loan Assoc.
 Elizabeth City, Peoples Bank & Trust
 Elizabethtown, Bank of North Carolina, N.A.
 Elizabethtown, Wachovia Bank & Trust Co., N.A.
 Elkin, Mutual Savings & Loan Assoc.
 Elkin, The Northwestern Bank
 Elkin, Yadkin Valley Bank & Trust Co.
 Enfield, Enfield Savings & Loan Assoc.
 Fairfield, The East Carolina Bank
 Faison, Branch Banking & Trust Co.
 Fayetteville, Branch Banking & Trust Co.
 Fayetteville, First-Citizens Bank & Trust Co.
 Fayetteville, Guaranty Savings & Loan
 Fayetteville, Home Federal Savings & Loan Assoc.
 Fayetteville, North Carolina National Bank

1,000,000.00
 500,000.00
 298.85
 1,000,000.00
 100,000.00
 286,000.00
 1,098.48
 1,095.60
 2,494.14
 1,580.98
 1,675.21
 100,000.00
 2,203.96
 2,570.99
 1,316.68
 2,036.39
 3,743.30
 2,031.65
 5,000,000.00
 1,633.64
 500,000.00
 100,000.00
 1,805.27
 2,525.93
 2,072.51
 100,000.00
 2,560.71
 300,000.00
 100,000.00
 2,650.96
 418.05
 1,733.59
 1,677.40
 100,000.00
 100,000.00
 1,774.18

Fayetteville, United National Bank	661.33	
Forest City, The Northwestern Bank	1,073.83	100,000.00
Franklin, First Union National Bank of N.C.	1,473.96	
Franklinton, Savings & Loan Assoc.		100,000.00
Fuquay-Varina, The Carolina Bank	1,653.00	
Gastonia, First-Citizens Bank & Trust Co.	1,121.75	
Gastonia, First Stock Savings & Loan Corp.		100,000.00
Gastonia, Independence National Bank	2,028.75	2,000,000.00
Gastonia, Gastonia Mutual Savings & Loans Assoc.		1,400,000.00
Gatesville, Tarheel Bank & Trust		950,000.00
Goldsboro, American Savings & Loan Assoc.		1,100,000.00
Goldsboro, Branch Banking & Trust Co.	1,070.36	
Goldsboro, First-Citizens Bank & Trust Co.	1,803.03	100,000.00
Goldsboro, First Federal Savings & Loan Assoc.		100,000.00
Goldsboro, Wachovia Bank & Trust Co., N.A.	1,157.67	
Graham, Graham Savings & Loan Assoc.		1,000,000.00
Granite Falls, Bank of Granite		1,900,000.00
Granite Falls, Granite Falls Savings & Loan		100,000.00
Greensboro, American Federal Savings & Loan		100,000.00
Greensboro, Community Bank of Carolina		1,000,000.00
Greensboro, First-Citizens Bank & Trust Co.		100,000.00
Greensboro, First Union National Bank of N.C.	1,390.10	
Greensboro, Gateway Bank		600,000.00
Greensboro, Greensboro National Bank	1,379.26	
Greensboro, North Carolina National Bank	1,628.18	
Greensboro, Scottish Savings & Loan Assoc.		100,000.00
Greenville, Home Savings & Loan Assoc.		1,100,000.00
Greenville, North Carolina National Bank	2,842.83	
Greenville, North State Savings & Loan Corp.		100,000.00
Greenville, The First State Bank	960.27	
Greenville, The Planters National Bank & Trust Co.	1,983.21	
Greenville, Wachovia Bank & Trust Co., N.A.	1,670.96	
Halifax, Branch Banking & Trust Co.	918.28	
Hamlet, First Southern Savings & Loan Assoc.		100,000.00
Havelock, Bank of North Carolina, N.A.	2,920.45	

Henderson, North Carolina National Bank	3,162.40	
Henderson, Southern National Bank of North Carolina	1,251.60	2,000,000.00
Hendersonville, First Federal Savings & Loan Assoc.		
Hendersonville, First Union National Bank of N.C.	2,020.98	
Hendersonville, The Northwestern Bank	1,583.90	
Hertford, Peoples Bank & Trust Co.	2,581.22	100,000.00
Hickory, Fidelity Federal Savings & Loan Assn.		9,200,000.00
Hickory, The First National Bank of Catawba Co.	1,124.33	
Hickory, The Northwestern Bank	1,846.06	100,000.00
Highlands, First Union National Bank of N.C.	1,827.73	300,000.00
Highlands, Mountain Federal Savings & Loan Assoc.		
High Point, Central Savings & Loan		
High Point, First-Citizens Bank & Trust Co.	1,874.21	4,100,000.00
High Point, High Point Bank & Trust Co.		
High Point, North Carolina National Bank	2,821.89	
High Point, Wachovia Bank & Trust Co., N.A.	2,265.44	
Hillsborough, Hillsborough Savings & Loan Assoc.		
Hope Mills, First-Citizens Bank & Trust Co.	1,776.20	100,000.00
Jacksonville, Bank of North Carolina, N.A.	1,757.15	
Jacksonville, First-Citizens Bank & Trust Co.	1,958.29	
Jefferson, The Northwestern Bank	881.07	
Kannapolis, Cabarrus Bank & Trust Co.	2,007.19	
Kenansville, United Carolina Bank - Whiteville	1,792.86	100,000.00
Kenly, Kenly Savings & Loan Assoc.		
Kernersville, The Northwestern Bank	2,258.65	100,000.00
Kings Mountain, Home Savings & Loan Assoc.		
Kings Mountain, Kings Mountain Savings & Loan Assoc.		100,000.00
Kinston, East Federal Savings & Loan Assoc.		100,000.00
Kinston, First-Citizens Bank & Trust Co.	1,551.25	
Kinston, First Financial Savings & Loan Assoc.		100,000.00
Kinston, Mutual Savings & Loan Assoc.		100,000.00
Kinston, Wachovia Bank & Trust Co., N.A.	1,994.22	
Laurinburg, Wachovia Bank & Trust Co., N.A.	1,996.22	100,000.00
Lenoir, Citizens Savings & Loan Assoc.		100,000.00
Lenoir, Mutual Savings & Loan Assoc.		

Lenoir, The Bank of Granite	507.86	
Lenoir, First Union National Bank of N.C.	1,123.99	
Lewiston, Tarheel Bank & Trust Co.	783.38	
Lexington, First Union National Bank of N.C.	2,204.99	
Lexington, Lexington State Bank	2,642.15	200,000.00
Lexington, Perpetual Savings & Loan Assoc.		100,000.00
Lillington, Bank of North Carolina, N.A.	1,110.38	
Lillington, Southern National Bank of N.C.	2,550.72	
Lincolnton, First Federal Savings & Loan Assoc.		100,000.00
Lincolnton, First Southern Savings & Loan Assoc.		100,000.00
Lincolnton, The Northwestern Bank	1,331.26	
Louisburg, United Carolina Bank - Whiteville	2,532.83	
Lumberton, Robeson Savings & Loan Assoc.		100,000.00
Lumberton, Southern National Bank of N.C.		9,475,000.00
Macclesfield, Southern Bank & Trust Co.		100,000.00
Madison, Madison Savings & Loan Assoc.		100,000.00
Madison, Peoples Bank of N.C.	1,359.84	
Madison, The Northwestern Bank	1,813.27	
Mantéo, Planters National Bank & Trust Co.	1,505.07	
Manteo, The East Carolina Bank	1,177.91	
Marion, First Union National Bank of N.C.	1,153.39	
Marion, North Carolina National Bank		230,000.00
Marion, The Northwestern Bank	2,486.04	
Marshall, The Northwestern Bank	2,375.92	
Mocksville, Branch Banking & Trust Co.	1,748.89	
Mocksville, Central Carolina Bank & Trust Co.	3,545.70	
Monroe, United Carolina Bank - Monroe	2,035.55	3,542,000.00
Monroe, Family Savings & Loan		400,000.00
Monroe, Heritage Savings & Loan Assoc.		100,000.00
Monroe, Security Bank & Trust Co.	1,779.09	
Moorestville, Mooresville Federal Savings & Loan Assoc.		100,000.00
Moorestville, Piedmont Bank & Trust Co.	1,249.76	
Morehead City, First-Citizens Bank & Trust Co.	1,908.23	
Morehead City, Wachovia Bank & Trust Co., N.A.	2,030.13	
Morganton, Burke County Saving & Loan		1,000,000.00

Morganton, North Carolina National Bank	2,871.71	
Morganton, The Northwestern Bank	2,667.88	300,000.00
Morganton, Wachovia Bank & Trust Co., N.A.	1,934.77	
Mount Airy, The Northwestern Bank	1,176.73	
	897.61	
Mount Gilead, Southern National Bank of N.C.		100,000.00
Mount Holly, Mutual Building & Savings Assoc.		350,000.00
Mount Olive, Southern Bank & Trust Co.		
Mount Pleasant, Piedmont Bank & Trust Co.	777.35	
Murphy, First Union National Bank of N.C.	1,566.04	
Murphy, Wachovia Bank & Trust Co., N.A.	1,508.61	
New Bern, Branch Banking & Trust Co.	2,449.27	
New Bern, First-Citizens Bank & Trust Co.	2,170.80	
New Bern, First Federal Savings & Loan Assoc.		100,000.00
New Bern, North Carolina National Bank	2,772.89	
Newland, Avery County Bank	2,464.67	
Newton, The First National Bank of Catawba Co.	1,654.16	
North Wilkesboro, First-Citizens Bank & Trust Co.	2,489.67	
North Wilkesboro, North Wilkesboro Savings & Loan Assoc.		100,000.00
North Wilkesboro, The Northwestern Bank	2,848.78	17,910,000.00
Oxford, The Planters National Bank & Trust Co.	1,285.13	
Oxford, The Union National Bank	2,048.18	
Pembroke, Lumbee Bank	1,965.10	400,000.00
Pilot Mountain, Bank of Pilot Mountain	868.49	
Pineville, United Carolina Bank - Monroe	1,030.58	
Plymouth, Branch Banking & Trust Co.	2,311.70	
Plymouth, Plymouth Savings & Loan Assoc.		100,000.00
Plymouth, The Planters National Bank & Trust Co.	1,479.05	
Raeform, Raeform Savings & Loan Assoc.		100,000.00
Raeform, The Bank of Raeform	1,542.60	
Raleigh, Carolina Federal Savings & Loan		1,000,000.00
Raleigh, First-Citizens Bank & Trust Co.	803,394.71	12,300,000.00
Raleigh, Mechanics & Farmers Bank	12,661.01	
Raleigh, North Carolina National Bank	1,350,182.57	20,000,000.00
Raleigh, Raleigh Savings & Loan Assoc.		100,000.00
Raleigh, State Bank of Raleigh		1,900,000.00

Raleigh, The Fidelity Bank			655,000.00
Raleigh, Wachovia Bank & Trust Co., N.A.	13,170,437.79		
Reidsville, First National Bank of Reidsville	1,524.82		
Reidsville, Mutual Savings & Loan Assoc.			100,000.00
Reidsville, Wachovia Bank & Trust Co., N.A.	1,326.99		
Roanoke Rapids, The Planters National Bank & Trust Co.	1,664.39		
Robbinsville, Wachovia Bank & Trust Co., N.A.	1,919.74		
Rockingham, Richmond County Bank	1,707.93		
Rockingham, Richmond Savings & Loan			1,000,000.00
Rocky Mount, Builders Federal Savings & Loan Assoc.			100,000.00
Rocky Mount, Citizens Savings & Loan Assoc.			1,100,000.00
Rocky Mount, Home Savings & Loan			100,000.00
Rocky Mount, Peoples Bank & Trust Co.			100,000.00
Rocky Mount, Planters National Bank & Trust Co.	1,789.53		
Rocky Mount, Sun Savings & Loan Assoc.	1,689.39		
Roxboro, Central Carolina Bank & Trust Co.	2,169.53		
Roxobel, Southern Bank & Trust Co.			100,000.00
Rural Hall, Commercial Farmers Bank			100,000.00
Rutherfordton, Independence National Bank			400,000.00
Rutherfordton, The Northwestern Bank	1,590.93		
Salisbury, First Union National Bank of N.C.	2,882.75		
Salisbury, Security Bank & Trust Co.	3,202.60		
Sanford, Southern National Bank of N.C.	2,469.61		
Sanford, The Carolina Bank	1,347.81		
Sanford, Midsouth Bank	2,157.16		
Seven Springs, Southern Bank & Trust Co.			3,608,000.00
Shallotte, United Carolina Bank - Whiteville	219.83		
Shelby, Cleveland Savings & Loan Assoc.	2,284.81		
Shelby, First National Bank			200,000.00
Shelby, Independence National Bank	1,508.95		
Siler City, The Carolina Bank	1,923.06		
Smithfield, First Federal Savings & Loan	1,897.75		
Smithfield, First-Citizens Bank & Trust Co.			100,000.00
Smithfield, First National Bank of Smithfield	2,316.02		
Snow Hill, First-Citizens Bank & Trust Co.	2,018.90		
	3,296.90		
			820,000.00

Southern Pines, First Federal Savings & Loan of Moore Co.			100,000.00
Southern Pines, First Union National Bank of N.C.			300,000.00
Southern Pines, Southern National Bank & Trust Co.			
Southport, Security Savings & Loan	2,537.07		100,000.00
Southport, United Carolina Bank - Whiteville	2,773.75		
Sparta, The Northwestern Bank	1,521.45		
Spindale, Independence National Bank	1,394.62		
Spring Lake, Southern National Bank	1,505.28		
Spruce Pine, The Northwestern Bank	1,202.11		
Statesville, First Savings & Loan Assoc.		900,000.00	
Statesville, North Carolina National Bank	2,614.17		
Statesville, Security Federal Savings & Loan Assoc.		100,000.00	
Statesville, The Northwestern Bank		100,000.00	
Sunbury, Farmers Bank of Sunbury	1,732.18		
Swansboro, First-Citizens Bank & Trust Co.	1,425.15		
Swan Quarter, The East Carolina Bank	3,725.60		
Sylva, Wachovia Bank & Trust Co., N.A.	1,160.50		
Tarboro, Edgcombe Bank & Trust Co.	1,803.39		
Tarboro, North Carolina National Bank	1,480.31	1,261,000.00	
Taylorsville, Taylorsville Savings & Loan Assoc.	1,810.52		
Taylorsville, The Northwestern Bank		100,000.00	
Thomasville, Home Savings & Loan Assoc.	2,205.35		
Thomasville, North Carolina National Bank	1,177.23		
Troy, Bank of Montgomery	976.29		
Troy, The Fidelity Bank	663.43		
Valdese, Western Carolina Savings & Loan Assoc.		100,000.00	
Wadesboro, United Carolina Bank - Monroe	1,474.43	500,000.00	
Wadesboro, The First National Bank of Anson Co.	1,942.48	450,000.00	
Wake Forest, Wake Forest Savings & Loan Assoc.		100,000.00	
Wallace, Branch Banking & Trust Co.	1,499.78		
Walnut Cove, Peoples Bank of N.C.	1,709.74		
Walnut Cove, The Northwestern Bank	2,422.25		
Warrenton, Branch Banking & Trust Co.	3,037.42		
Washington, Home Savings & Loan Assoc.		500,000.00	
Washington, North Carolina National Bank	2,848.74	234,000.00	

Washington, Seaboard Savings & Loan Assoc.			500,000.00
Washington, Wachovia Bank & Trust Co., N.A.	1,920.67		
Waynesville, First Union National Bank of N.C.	1,821.46		
Weaverville, First Union National Bank of N.C.	612.76		
Weldon, Branch Banking & Trust Co.	1,845.42		
Weldon, Weldon Savings & Loan Assoc.		100,000.00	
Wentworth, North Carolina National Bank	2,124.48		
West Jefferson, The First National Bank	2,125.07		
Whiteville, Columbus National Bank		100,000.00	
Whiteville, Pioneer Savings & Loan Assoc.		100,000.00	
Whiteville, Southern National Bank of N.C.	1,533.02		
Whiteville, United Carolina Bank - Whiteville	2,262.92		
Wilkesboro, Wilkes Savings & Loan Assoc.		100,000.00	
Williamston, Branch Banking & Trust Co.	1,396.63		
Williamston, First Citizens Bank & Trust Co.	3,352.04		
Wilmington, North Carolina National Bank	2,975.86		
Wilmington, Tidewater Savings & Loan, Inc.		100,000.00	
Wilmington, Wachovia Bank & Trust Co., N.A.	1,411.42		
Wilson, Atlantic Savings & Loan		100,000.00	
Wilson, Branch Banking & Trust Co.	1,444.85		
Windsor, Southern Bank & Trust Co.	1,163.32	17,680,000.00	
Winston-Salem, First Federal Savings & Loan Assoc.		100,000.00	
Winston-Salem, First Union National Bank of N.C.	2,179.61		
Winston-Salem, Forsyth Bank & Trust Co.	2,152.18	1,700,000.00	
Winston-Salem, Forsyth Savings & Loan Corp.		100,000.00	
Winston-Salem, North Carolina National Bank	1,495.86		
Winston-Salem, The Northwestern Bank	1,359.16		
Winston-Salem, United Citizens Bank		1,450,000.00	
Winston-Salem, Wachovia Bank & Trust Co., N.A.	2,038.97	40,000,000.00	
Woodland, North Carolina National Bank		275,000.00	
Yadkinville, Central Carolina Bank & Trust Co., N.A.	1,153.96		
Yadkinville, The Northwestern Bank		1,000,000.00	
Yanceyville, The Northwestern Bank	1,660.69		
Zebulon, Peoples Bank & Trust Co.	2,118.16		
TOTAL	\$15,733,504.83	\$258,912,000.00	

SCHEDULE Q-3

INVESTMENT OF CASH BALANCES

June 30, 1980

Repurchase Agreements (maturing from 7/1/1979 to 8/18/1980)	\$ 190,471,250.00
U. S. Treasury Bills (maturing from 9/16/1980 to 5/21/1981)	41,736,226.48
U. S. Treasury Notes (maturing from 10/31/1980 to 5/15/1987)	572,460,144.40
U. S. Agency Securities (maturing from 7/14/1980 to 11/25/1986)	<u>430,970,435.52</u>
SUBTOTAL	\$1,235,638,056.40
Certificates of Deposit & Savings Certificates (maturing from 7/3/1980 to 12/31/1980)	<u>258,912,000.00</u>
TOTAL	<u><u>\$1,494,550,056.40</u></u>

**SHORT-TERM FIXED INCOME INVESTMENT FUND
INCOME STATEMENT**

For Year Ended June 30, 1980

Interest income	\$141,648,599.70
Other income	140.00
Earnings from Securities Lending	735,637.03
Earnings from Fail Balances	21,608.78
Net gain (loss) on sale of investments	<u>(2,963,596.52)</u>
Income before expenses	139,442,388.99
Management expenses allocated	<u>(76,534.91)</u>
Net income	<u><u>\$139,365,854.08</u></u>

EXHIBIT S

**STATE OF NORTH CAROLINA
LONG-TERM FIXED INCOME INVESTMENT FUND
BALANCE SHEET
June 30, 1980**

ASSETS

Cash	\$ 19,929,966.29
Accrued interest receivable	75,474,086.95
Investments at book value	<u>3,678,713,278.47</u>
Total assets	<u><u>\$3,774,117,331.71</u></u>

LIABILITIES AND PARTICIPANTS EQUITY

Undistributed income	\$ 24,769,898.07
Unclaimed interest	156,250.00
Deferred commitment fees	<u>199,750.00</u>
Total liabilities	25,125,898.07
Participants equity (*)	<u>3,748,991,433.64</u>
Total liabilities and participants equity	<u><u>\$3,774,117,331.71</u></u>

*Net assets, at cost	\$3,748,991,433.64
Units outstanding	3,748,991.43
Unit value	1,000.00

**LONG-TERM FIXED INCOME INVESTMENT FUND
INCOME STATEMENT**

For Year Ended June 30, 1980

Interest income	\$284,304,022.15
Earnings from Securities Lending	1,081,276.01
Earnings from Fail Balances	282,420.42
Other Income	213,161.76
Net gain (loss) on sale of investments	<u>302,399.87</u>
Income before expenses	286,183,280.21
Management expenses allocated	(211,460.31)
Other expenses	<u>(6,666.83)</u>
Net income	<u><u>\$285,965,153.07</u></u>

EXHIBIT U

**STATE OF NORTH CAROLINA
EQUITY INVESTMENT FUND
BALANCE SHEET
June 30, 1980**

ASSETS

Cash	\$ 68,630,355.87
Accrued dividends receivable	2,695,820.00
Investments at book value	<u>532,171,257.09</u>
Total assets	<u><u>\$603,497,432.96</u></u>

LIABILITIES AND PARTICIPANTS EQUITY

Undistributed income	\$ 7,422,691.49
Deferred income from options written	185,887.03
Participants equity (*)	<u>595,888,854.44</u>
Total liabilities and participants equity	<u><u>\$603,497,432.96</u></u>

*Net assets, at market	\$653,242,909.85
Units outstanding	585,923.39
Unit value	1,114.89

EXHIBIT V

EQUITY INVESTMENT FUND
INCOME STATEMENT
For Year Ended June 30, 1980

Dividend income	\$23,946,254.06
Earnings from Options Writing	675,350.97
Earnings from Securities Lending	243,476.49
Earnings from Fail Balances	65,647.60
Interest income on Cash Reserves	<u>5,532,057.49</u>
	\$30,462,786.61
Management expenses allocated	<u>(217,828.38)</u>
Income before gains (losses) realized	30,244,958.23
Net gain (loss) on Options Writing	22,280.72
Net gain (loss) on sale of investments	<u>8,954,841.83</u>
Net income	<u><u>\$39,222,080.78</u></u>

STATEMENT OF TRUST FUNDS

June 30, 1980

	Short-term Fixed Income Investment Fund	
	Amount Invested	Yield
Retirement Trust Funds:		
Teachers' and State Employees' Retirement System	\$45,320,635	12.34
Local Governmental Employees' Retirement System	8,029,898	12.34
Law Enforcement Officers' Benefit and Retirement Fund	2,325,510	12.34
North Carolina Firemen's Pension Fund	521,635	12.34
Uniform Judicial Retirement System	826,760	12.34
Uniform Clerks of Superior Court Retirement System	319,085	12.34
Uniform Solicitorial Retirement System	238,024	12.34
Total Retirement Trust Funds	<u>57,581,547</u>	<u>12.34</u>
Other Trust Funds:		
Death Benefit*	2,752,484	12.34
N. C. Employee Disability Fund	2,475,900	12.34
State Treasurer's Escheat Fund	1,141,143	12.34
Trust Funds for Education	21,657,041	12.34
State Property Fire Insurance Fund	258,032	12.34
UNC - Insured Student Loan Program	5,000,685	12.34
UNC Liability Self Insurance Fund	354,664	12.34
Total Other Trust Funds	<u>33,639,949</u>	<u>12.34</u>
Total All Trust Funds	<u>\$91,221,496</u>	<u>12.34</u>

*Trust Fund established March 1, 1980.

Long-term Fixed Income Investment Fund		Equity Investment Fund		Total	
Amount Invested	Yield	Amount Invested	Yield	Amount Invested	Yield
\$3,012,369,248	8.31	\$487,719,969	6.65	\$3,545,409,852	8.13
488,886,450	8.31	75,368,885	6.65	572,285,233	8.15
181,654,058	8.31	28,200,000	6.65	212,179,568	8.13
14,713,741	8.31	2,400,000	6.65	17,635,376	8.20
9,174,319	8.31	1,500,000	6.65	11,501,079	8.38
2,736,087	8.31	500,000	6.65	3,555,172	8.44
1,395,728	8.31	200,000	6.65	1,833,752	8.65
3,710,929,631	8.31	595,888,854	6.65	4,364,400,032	8.14
				2,752,484	12.34
12,124,670	8.31			14,600,570	8.99
16,393,270	8.31			17,534,413	8.57
				21,657,041	12.34
9,543,863	8.31			9,801,895	8.42
				5,000,685	12.34
				354,664	12.34
38,061,803	8.31			71,701,752	10.20
\$3,748,991,434	8.31	\$595,888,854	6.65	\$4,436,101,784	8.17

STATEMENT OF SECURITIES HELD IN TRUST
June 30, 1980

<u>Description</u>	<u>Par Value</u>
Securities Held in Safekeeping:	
Atlantic & East Carolina Railroad Company	
Deposit to Insure Rental Agreement	\$ 50,000.00
Atlantic & North Carolina Railroad Company	
Treasury Stock (735 shares common stock)	73,500.00
Department of Human Resources	
Dorothea Dix Hospital - Patient's Fund	60,000.00
Social Services -	
Education Leave & Grant Notes	136,969.00
Medical Care Commission -	
Student Loan Notes	7,751,302.82
Department of Public Education	
Literary Loan Notes	1,592,329.84
Securities Held as Good Faith Deposits:	
North Carolina Department of Agriculture	3,500.00
North Carolina Department of Insurance	96,980,757.89
North Carolina Department of Revenue	399,500.00
North Carolina Industrial Commission	1,160,000.00
North Carolina Division of Motor Vehicles	252,288.00
Securities Held as Custodian:	
In Treasurer's Vault	
Long-term Fixed Income Investment Fund	747,736,220.30
Short-term Investment Fund	258,912,000.00
By Contractual Custodian Agreements	
Equity Investment Fund	532,171,257.09
Long-term Fixed Income Investment Fund	2,958,654,999.70
Short-term Investment Fund	1,282,018,308.60
Securities Owned by the State:	
North Carolina Railroad Company	
(30,002 shares common stock)	3,000,200.00
Atlantic & North Carolina Railroad Company	
(12,666 shares common stock)	1,266,600.00
Securities Held by Escrow Agents to Secure	
State Deposits	386,435,033.00
	<u>\$6,278,654,766.24</u>

EXHIBIT Y

ESCHEAT FUND
COMPARATIVE BALANCE SHEET
 June 30, 1980 and 1979

	June 30,	
	<u>1980</u>	<u>1979</u>
ASSETS		
Cash	\$ 1,328,797.72	\$ 160,034.51
Investments - net book value*	16,393,270.36	14,403,934.88
Accrued interest receivable	119,697.12	235,036.62
Total assets	<u>\$17,841,765.20</u>	<u>\$14,799,006.01</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Due to State Education Assistance Authority - net income	\$ 1,176,309.41	\$ 928,574.06
Total liabilities	\$ 1,176,309.41	\$ 928,574.06
Fund equity:		
Restricted reserves:		
Reserve for refunds	\$12,293,327.01	\$10,559,255.02
Reserve for State Education Assistance Authority	4,430,326.51	3,429,358.28
Total restricted reserves	\$16,723,653.52	\$13,988,613.30
Less: Student loan defaults	(58,197.73)	(118,181.35)
Total fund equity	\$16,665,455.79	\$13,870,431.95
Total liabilities and fund equity	<u>\$17,841,765.20</u>	<u>\$14,799,006.01</u>

*Recorded at cost adjusted for any earned premiums or discounts.

ESCHEAT FUND
COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCE*
June 30, 1980 and 1979

	<u>June 30,</u>	
	<u>1980</u>	<u>1979</u>
Beginning fund balance - July 1	<u>\$13,870,431.95</u>	<u>\$11,642,870.38</u>
Additions:		
Funds escheated:		
Estates and trusts	94,788.02	37,265.01
Clerks of State courts	241,113.91	263,480.04
State and federal banks	512,062.00	555,980.15
Savings and loan associations, credit unions and associations	104,870.58	23,489.92
Insurance companies	463,180.40	137,179.52
Public utilities, membership corporations	448,247.59	208,980.76
Cooperative organizations, marketing associations	17,514.13	-0-
Issuers of money orders, travelers checks	160,121.18	60,456.34
State and governmental agencies	491,886.71	387,819.28
Other businesses	392,952.36	726,230.63
Total funds escheated	<u>\$ 2,926,736.88</u>	<u>\$ 2,400,881.65</u>
Student loan default repayments	<u>\$ 59,983.62</u>	<u>\$ 5,276.68</u>
Total additions	<u>\$ 2,986,720.50</u>	<u>\$ 2,406,158.33</u>
Deductions:		
Refunds of escheats	\$ 191,696.66	\$ 178,596.76
Student loan defaults	<u>-0-</u>	<u>-0-</u>
Total deductions	<u>\$ 191,696.66</u>	<u>\$ 178,596.76</u>
Ending Fund Balance - June 30	<u><u>\$16,665,455.79</u></u>	<u><u>\$13,870,431.95</u></u>

* Reserve for Escheats subject to refund.

SCHEDULE Y-2

ESCHEAT FUND
COMPARATIVE INCOME STATEMENT
June 30, 1980 and 1979

	June 30,	
	<u>1980</u>	<u>1979</u>
Investment income	\$1,235,431.65	\$966,550.09
Less: Administrative expenses	<u>(59,122.24)</u>	<u>(37,976.03)</u>
Net income - transferred to State Education Assistance Authority	<u>\$1,176,309.41</u>	<u>\$928,574.06</u>

DEPARTMENT OPERATING BUDGET

Fiscal Year 1979-80

<u>Division</u>	<u>General Fund Appropriation</u>	<u>Receipts</u>	<u>Total Requirements</u>	<u>Total Expended</u>	<u>Unexpended</u>
Administrative Services:					
General Administration	\$ 294,588	\$	\$ 294,588	\$ 286,113	\$ 8,475
Escheat Fund		70,046	70,046	59,122	10,924
Word Processing	37,857	58,978	96,835	91,833	5,002
Data Processing	36,012	357,115	393,127	356,155	36,972
TOTAL DIVISION	<u>368,457</u>	<u>486,139</u>	<u>854,596</u>	<u>793,223</u>	<u>61,373</u>
Investment and Banking:					
Investment Management	407,166	547,104	547,104	522,965	24,139
Banking Operations	<u>407,166</u>	<u>48,686</u>	<u>455,852</u>	<u>445,466</u>	<u>10,386</u>
TOTAL DIVISION		<u>595,790</u>	<u>1,002,956</u>	<u>968,431</u>	<u>34,525</u>
State and Local Government Finance:					
TOTAL DIVISION	<u>778,496</u>	<u>256,750</u>	<u>1,035,246</u>	<u>939,840</u>	<u>95,406</u>
Retirement and Health Benefits:					
Retirement Operations	123,340	1,794,360	1,794,360	1,665,590	128,770
Health Benefits	76,833	—	123,340	81,129	42,211
Social Security	<u>200,173</u>	<u>51,155</u>	<u>127,988</u>	<u>121,868</u>	<u>6,120</u>
TOTAL DIVISION		<u>1,845,515</u>	<u>2,045,688</u>	<u>1,868,587</u>	<u>177,101</u>
Reserves and Transfers	78,636	14,655	93,291	—	93,291
TOTAL OPERATING BUDGET	<u>\$1,832,928</u>	<u>\$3,198,849</u>	<u>\$5,031,777</u>	<u>\$4,570,081</u>	<u>\$461,696</u>

NOTES

NOTES

Date Due

JUN 06 1900			

